

**ACCESS DENIED: CHALLENGES FOR  
WOMEN- AND MINORITY-OWNED  
BUSINESSES ACCESSING CAPITAL  
AND FINANCIAL SERVICES  
DURING THE PANDEMIC**

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**VIRTUAL HEARING**  
BEFORE THE  
SUBCOMMITTEE ON DIVERSITY  
AND INCLUSION  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED SIXTEENTH CONGRESS  
SECOND SESSION

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**ACCESS DENIED: CHALLENGES FOR  
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**Thursday, July 9, 2020**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON DIVERSITY  
AND INCLUSION,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 12 p.m., via Webex, Hon. Joyce Beatty [chairwoman of the subcommittee] presiding.

Members present: Representatives Beatty, Clay, Green, Gottheimer, Lawson, Pressley, Adams, Dean, Garcia of Texas, Phillips; Wagner, Mooney, Kustoff, Gonzalez of Ohio, and Steil.

Ex officio present: Representative Waters.

Also present: Representatives Garcia of Illinois and Porter.

Chairwoman BEATTY. The Subcommittee on Diversity and Inclusion will come to order.

Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

Also, without objection, members of the full Financial Services Committee who are not members of the subcommittee are authorized to participate in today's hearing.

Members are reminded to keep their video function on at all times, even when they are not being recognized by the Chair. Members are also reminded that they are responsible for muting and unmuting themselves, and to mute themselves after they are finished speaking.

Consistent with the regulations accompanying H. Res. 965, staff will only mute Members and witnesses as appropriate when not being recognized by the Chair, to avoid inadvertent background noise. Members are reminded that all House rules relating to order and decorum apply to this remote hearing.

Today's hearing is entitled, "Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic."

I now recognize myself for 5 minutes to give an opening statement.

Good afternoon. Small businesses are critical to the United States' economic growth. They contribute 65 percent of all new

jobs, and they are a critical tool for wealth creation and increasing employment. But minority- and women-owned businesses face numerous unique and disparate barriers to market entry. We must act to eliminate the systemic and racial barriers that impede the formation and competitiveness of minority- and women-owned businesses. These barriers create an uneven playing field when it comes to accessing capital, leveraging loans, and other credit products necessary to fund and sustain their business.

In today's hearing, we will discuss how easing impediments on African-American access to capital will result in economic and employment growth in minority communities, and in the United States overall, and examine the historical and systemic challenges faced by minority- and women-owned businesses, such as a lack of access to capital and systemic racism, and how those persistent challenges have led to closure at a disproportionate rate during the COVID-19 pandemic.

Small businesses experienced a 22-percent closure rate as the result of the COVID-19 pandemic from February to April of 2020. But the closure rate for minority-owned businesses was significantly higher, with 41 percent of Black-owned businesses, 32 percent of Latinx-owned businesses, and 20 percent of Asian-owned businesses closed over the same period.

In April of this year, the Federal Reserve Bank of New York reported that minority- and women-owned businesses are significantly more likely to show signs of limited financial health, and are twice as likely to be classified as at risk, or distressed, than non-minority small businesses. Further, distressed companies are 3 times as likely as healthy businesses to close because of the 2-month revenue shot. The Paycheck Protection Program (PPP) was established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and administered by the Small Business Administration (SBA) and Treasury, as funding lifelines for distressed businesses responding to the COVID-19 pandemic.

But a recent analysis by Color of Change in the United States found that only 1 in 10 African-American and Latinx-owned businesses received the requested funds through the program.

I have heard from many minority-owned businesses who did everything right. Yet, they did not get a loan number or a loan in the first round. Many minority businesses shared that the Enhancement Act was not adequately designed to enhance, or assist, small businesses.

Thanks to the partnership of Financial Services Committee Chairwoman Maxine Waters, and Small Business Committee Chairwoman Nydia Velazquez, adjustments were made in the second round of funding. On June 30th, the Small Business Administration announced that 4.9 million loans totaling \$521 billion have been granted by the PPP.

So now, let me just say that I look forward to hearing from our distinguished witnesses who will share key insights regarding the ongoing plight of minority- and women-owned businesses, and what steps Congress and the private sector can take to ensure necessary and fair inclusion in the economy.

The Chair now recognizes the ranking member of the subcommittee, my good friend, colleague, and someone whom I am de-

lighted to see, although it is on Zoom today, Ranking Member Ann Wagner.

Mrs. WAGNER. Thank you, Madam Chairwoman, and it is a delight to see you and all of our subcommittee here this afternoon, and thank you for holding this hearing.

I want to welcome our witnesses and thank them for testifying about the obstacles that women- and minority-owned businesses face when it comes to accessing capital and financial services.

When this pandemic began, and businesses were forced to close their doors in order to prevent the spread of the coronavirus, Congress took swift action to stabilize the economy, to keep Americans employed and businesses from closing, and to give our healthcare workers the resources that they needed to combat the disease. Those actions included providing regulatory relief to lenders, and access to emergency programs through the Federal Reserve, and the Small Business Administration.

I want to highlight a few specific solutions that Congress has provided during this pandemic to ensure that U.S. businesses continue to have access to the relief they need. We have lowered the community bank leverage ratio to give community banks the ability to continue lending as cash deposits have increased. We have given flexibility to banks that would have been required to comply with the Current Expected Credit Loss (CECL) accounting standards, that would have locked up billions of dollars for financial institutions and hindered their ability to lend to those who need assistance the most.

Finally, we authorized some \$660 billion in forgivable loans under the Paycheck Protection Program (PPP), which has supported more than 51 million American jobs, and over 80 percent of all small business employees. The Program included a set-aside amount of \$10 billion for community financial institutions.

When it comes to ensuring that women- and minority-owned businesses can access PPP loans and other funding, I am glad to see that some lenders have taken the initiative. Lenders, including Citigroup, JPMorgan Chase, and Bank of America, have provided data highlighting their work to ensure that PPP is available to a diverse group of customers. For example, JPMorgan set up a new program to focus on underserved entrepreneurs. And Bank of America is conducting extensive outreach to small business clients in low- and moderate-income neighborhoods to raise awareness about PPP and other loan facilities.

But it is not just our nation's biggest banks that are helping those in need. Let me tell you about what happened in St. Louis last month, with a banker from Midwest BankCentre. He was getting his hair cut when he overheard that the African-American woman barbershop owner had taken out a \$5,000 payday loan to pay bills. The banker offered to assist her in applying for PPP loans. That interaction eventually led, most importantly, to the bank signing a deal with the National Minority Supplier Business Development Council, a group which helps minority-owned businesses access PPP loans. I commend these professionals for their outreach, and I urge other firms in the industry to follow suit if they have not done so already.

I have also introduced the Calculate PPP Forgiveness Act, with my friend and colleague from Missouri, Congressman Clay, which instructs SBA and Treasury to create or certify a loan forgiveness calculator to resolve confusion between lenders and small businesses over what costs should be calculated, and to help small businesses complete their forgiveness forms.

This bill has the support of U.S. Black Chambers, Inc., the Heartland St. Louis Black Chamber of Commerce, the National Federation of Independent Business (NFIB), the Independent Community Bankers of America (ICBA), the Missouri Bankers Association, and so many, many others. It is especially important for businesses that don't have the resources to hire outside consultants to help them with the forgiveness process.

While this hearing is about access to capital during the pandemic, this subcommittee must also focus on permanent regulatory reforms to lift and strengthen minority- and women-owned businesses beyond the pandemic. These businesses benefit when we cut unnecessary costs and expand opportunities for investors to put their money to work.

Thank you, Madam Chairwoman.

And I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the Chair of the full Financial Services Committee, Chairwoman Maxine Waters. It is indeed an honor for me to introduce someone who really needs no introduction. She is an advocate for the people and, as we talk about the PPP plan today and other financial services issues, please know that her fingerprints, and her footprints, are all over it, and she has been recognized for her great leadership.

No further words are needed. Chairwoman Maxine Waters from the great State of California, I recognize you for 1 minute, or as much time as you may consume.

Chairwoman WATERS. I want to thank you so much, Chairwoman Beatty, for all of the work that you are doing to really get the whole discussion of inclusion and diversity in the national eyesight. You are doing a wonderful job, and I thank you for convening this important hearing on the struggles that women- and minority-owned businesses face in accessing capital.

Before the COVID-19 crisis began, as you have said, minority- and women-owned businesses had serious challenges in accessing capital. For example, 2018 data showed that minority business owners were less likely to be approved for loans or were approved for lower loan amounts and higher interest rates than their White counterparts. Forbes also reported that when women- and minority-owned business owners applied for loans, they were often rejected due to a lack of assets caused by the widening racial and gender wealth gaps.

Despite these challenges, women- and minority-owned businesses have grown 10 times faster than all other U.S. small businesses. However, we will never close the racial and gender gap and provide for expanded entrepreneurship opportunities for women and people of color until we can address these capital challenges.

So, I am very pleased to be with you today, and I look forward to hearing from our witnesses. I thank our witnesses for being

here, and I am looking forward to hearing their views on how to help solve this challenge.

Thank you, Chairwoman Beatty.

And I yield back the balance of my time.

Chairwoman BEATTY. And I thank you, Madam Chairwoman.

Today, I am honored to welcome the testimony of our four witnesses. Our first witness, Mr. Ron Busby, Sr., is President and CEO of the United States Black Chamber of Commerce. Ron is a former CEO and serves on the Pfizer Small Business Council and the White House African American Leadership Council.

Our second witness, Ms. Carmen Castillo, is Chairwoman of the Board of Directors of the United States Hispanic Chamber of Commerce. Carmen is also the President and CEO of SDI International, which she founded in 1992.

Our third witness, Ms. Karen Kerrigan, is President and CEO of the Small Business & Entrepreneurship Council. Karen has been appointed to numerous Federal advisory boards, including the National Women's Business Council, the U.S.-Iraq Business Dialogue, and the United States Treasurer's Taxpayer Advisory Panel.

Our final witness, Jenell Ross, is President of Bob Ross Automotive Group. She is the only second-generation African-American woman dealer in the country. Jenell also serves as the Chair of the Board of Directors for the Cincinnati branch of the Federal Reserve Bank of Cleveland.

Witnesses, you are reminded that your oral testimony will be limited to 5 minutes. A chime will go off at the end of your time, and I ask that you respect the members' and other witnesses' time by wrapping up your oral testimony. And without objection, your written statements will be made a part of the record.

Mr. Busby, you are now recognized for 5 minutes to give an oral presentation of your testimony. Thank you.

**STATEMENT OF RON BUSBY SR., PRESIDENT AND CEO, U.S.  
BLACK CHAMBERS, INC.**

Mr. BUSBY. Thank you, Chairwoman Beatty, Ranking Member Wagner, Chairwoman Maxine Waters, and distinguished members of the subcommittee, for the opportunity to share testimony with you today.

My name is Ron Busby, and I serve as the President and CEO of the U.S. Black Chambers, Incorporated, the nation's leading voice for Black businesses across the country. We represent 145 Chambers in 42 States, with a membership base of over 332,000 Black-owned businesses, founded on our five pillars, which are: advocacy; access to capital; contracting opportunities; entrepreneur training; and Chamber development.

The U.S. Black Chambers, better known as USBC, for the past decade has been providing committed visionary leadership and advocacy and the realization of economic empowerment. Through the creation of resources of initiatives, we support African-American Chambers of Commerce and business organizations in the work of developing and growing Black businesses.

Clearly, minority- and women-owned business enterprises (MWBEs) are critical components of the nation's vast economy. These funds collectively provide upwards of \$1 trillion in annual re-

ceipts, and contribute nearly 9 million jobs to the country's labor market. MWBEs have been cited as the fastest-growing segment of businesses, whose results created 40 percent of America's new jobs in recent decades.

Despite this extraordinary impact, it is Black business owners and entrepreneurs that history and data shows face systemic barriers to entrepreneurial resources and access to capital, among other daunting challenges. In light of these facts, we believe that strategically engineered policy can put a stop to continuing disparities experienced by Black-owned businesses.

Our participation in today's virtual hearing underscores the critical role of continued advocacy through the establishment of public policy that addresses continuing challenges in accessing capital and financial services.

Amidst the ongoing health and economic crisis, the most permanent disparity exists within Black America. Case in point, the country lost 3.3 million small businesses in the first and second quarter of the year, but the number of Black entrepreneurs declined 41 percent. Nearly 450,000 Black-owned businesses were closed between the months of February and April.

In addition to this disproportionate decline, Black America suffered the brunt of the labor lost during the pandemic. The Black unemployment rate peaked nearly to 17 percent last month. Despite the number of Black-owned businesses located in the nation's fastest growing markets, these enterprises faced economic derailment and revenue loss prior to the pandemic in part because Black firms are overwhelmingly represented among the high-impact industries and, in part, because they were already in weaker financial positions. The pandemic simply exacerbated these challenges.

Even though congressional action resulted in nearly \$700 billion in relief to small businesses through the Payroll Protection Program, this week's SBA and Treasury records show that the case of structural discrimination against Black business owners remains prevalent. In the Program's more than 650,000 PPP loans made above \$150,000, only 143 Black firms received a loan of that size, and 90 percent of the members of the U.S. Black Chambers have reported that they have found far less of what they asked for, or none at all.

Fortunately, we here at the U.S. Black Chambers are working to address these disparities by creating resources and funding that bridges the gaps in effective Federal policy. To jump-start recovery, our organization recently launched a transformative initiative called the, "Buy Black" platform, which focuses on supporting the millions of Black businesses by providing grassroots assistance to the smallest Black firms in one digital marketplace.

USBC is also forging ahead with a group of industry-leading technology partners to announce a Black business certification program aimed at increasing contract awards from both the Federal Government and corporate America. These programs will put the corporate and government sectors' rhetoric to the test and truly improve investments within our community.

These are just a few actions that the USBC is taking to ensure that Black Americans weather this storm.

We welcome Federal legislation that will foster, not overlook, Black America, and close the expanding racial wealth gap. We welcome the challenges that the Chamber has passed the HEROES Act, but believe legislatures who understand the importance of safeguarding the Black community must embrace equitable policies that will include reforming the 8(a) program to make sure that the most vulnerable and impacted Black firms receive priorities focused between 2021 and 2026; reauthorizing the Obama-era QuickPay initiative to guarantee that Black government contractors are paid within a 15-day period; and also, ensuring that within the discussion of a new infrastructure bill, that Black and local businesses are included in the contract opportunities, reconsidering the OCC's new CRA proposal to certify that changes truly benefit Black America, and prioritizing legislation that will provide Black-owned businesses with additional access to SBA loans, training and education programs, and tax incentives to invest in startups.

Finally, lawmakers must pass legislation that will codify the MBDA into law, increase—

Chairwoman BEATTY. I must remind the gentleman that his time is up. But thank you very much.

Mr. BUSBY. Thank you.

[The prepared statement of Mr. Busby can be found on page 40 of the appendix.]

Chairwoman BEATTY. Thank you.

I now recognize Ms. Castillo for 5 minutes to give an oral presentation of your testimony.

**STATEMENT OF CARMEN CASTILLO, CHAIRWOMAN, BOARD OF DIRECTORS, U.S. HISPANIC CHAMBER OF COMMERCE**

Ms. CASTILLO. Thank you, Chairwoman Waters, Chairwoman Beatty, and members of the subcommittee, for the opportunity to share testimony on behalf of the U.S. Hispanic Chamber of Commerce (USHCC).

I am the President and CEO of SDI International, one of the largest minority- and women-owned businesses in the United States. My team has been providing opportunities in business services to Fortune 500 companies for the last 27 years. I am an Hispanic immigrant, and an advocate for women- and minority-owned businesses. Today, I am honored to represent the U.S. Hispanic Chamber of Commerce as the chairwoman of the board of directors.

The USHCC is America's largest Hispanic business organization. We operate as an umbrella for more than 250 local Hispanic chambers and business associations nationwide. We represent over 4.7 million Hispanic business enterprises that contribute an estimated \$800 billion annually to the U.S. economy.

The Hispanic community has been affected the most economically by COVID-19. A study made by Stanford University shows that 65 percent of Latino-owned companies in the U.S. report that they will not be able to continue operating beyond 6 months. This is the reason why 60 percent of Latino families have lost jobs and suffered pay cuts since the pandemic began.

Furthermore, working from home is not an option for over 84 percent of Latinos, making our community extremely vulnerable to the challenges our country is facing.

According to a U.S. Latino survey, millions of Latino families and businesses did not receive any support from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, including 48 percent of households earning less than \$25,000 a year. Due to the severity and urgency of the situation, we would like to collaborate with congressional leaders to participate in the creation of legislation that will economically impact Hispanic businesses.

We are advocating for the following: expand opportunities for our business community to participate in Federal procurement contracting with fundraising to serve as a technical assistance bridge to provide necessary education for our members; forgive all 2019 payable taxes for America's 30 million small businesses; provide an additional \$65 billion for a minority equity fund to support minority business enterprises through economic relief programs implemented by Treasury, the Federal Reserve, and the Small Business Administration (SBA); expand lending for Minority Depository Institutions (MDIs) and Community Development Financial Institutions (CDFIs); and more transparent reporting on the Paycheck Protection Program and other disaster relief programs.

As Congress continues to allocate stimulus funding, minorities need to be included in the management, distribution, and grant allocation of these funded programs with the same access to Congress as any large company. Allow undocumented business owners and undocumented workers who can prove that they have paid U.S. taxes in 2018 to take advantage of the CARES Act and other stimulus funding.

I wanted to share statistics related to the economic impact. Prior to COVID-19, Latinos started businesses at 3 times the rate of the national average. Latinas started businesses at 6 times that rate. One out of every four small businesses is run by an Hispanic entrepreneur, and 60 million Hispanic Americans account for \$2.3 trillion of the U.S. economic activity. If Congress encourages financial institutions to provide capital for our community to scale up, an additional \$1.38 trillion will be generated for the U.S. economy. If we fail to support our businesses, our economy will shrink by billions, we believe, far exceeding the investment needed from the Federal Government in order to rescue them.

I thank you for your time, and we look forward to collaborating with you to create a lasting change.

Thank you.

[The prepared statement of Ms. Castillo can be found on page 46 of the appendix.]

Chairwoman BEATTY. Thank you very much.

Ms. Kerrigan, you are now recognized for 5 minutes to give an oral presentation of your testimony.

#### **STATEMENT OF KAREN KERRIGAN, PRESIDENT AND CEO, SBE COUNCIL**

Ms. KERRIGAN. Thank you very much. And good afternoon, Chairwoman Beatty, Ranking Member Wagner, and, of course, Chairwoman Waters, and members of the subcommittee. Thank you for the opportunity to be a part of this hearing today, and for focusing on the critical issue of access to capital for women- and

minority-owned businesses, particularly during this unprecedented period of time for all small businesses and, indeed, all Americans.

SBE Council is an advocacy, research, and education organization dedicated to protecting small businesses, and promoting entrepreneurs. And for more than 25 years now, we have worked on a range of issues, including access to capital to strengthen the ecosystem for start-up activity and small business growth.

As noted by my fellow witnesses, closed financial networks, long-standing financial institutional biases, and underserved markets work against the efforts of women and minority entrepreneurs who need capital to start up, operate, and grow their businesses. While the bipartisan CARES Act got money out the door quickly and helped many small businesses, the distribution channels of the first tranche of the funding underscored how the traditional financial system leaves many small businesses behind, particularly women- and minority-owned businesses.

That is why very early on, before the launch of PPP, we were vocal advocates to bring Fintech lenders into the program to reach the kind of businesses that the PPP was also intended to reach, including women- and minority-owned businesses. Bringing Fintech into the PPP program certainly helped in reaching many small businesses that were falling through the cracks. But even when you account for their participation, along with the late involvement of the CDFIs, significant numbers of women- and minority-owned businesses have been left without the capital they need, or needed, to weather and navigate the COVID-19 crisis.

As I noted in my written testimony, this was likely related to the design of PPP, which many self-employed sole proprietors felt was not structured for them. As we know, as many as 95 percent of Black entrepreneurs are sole proprietors, and 88 percent of women-owned businesses fall into this category as well.

We know that Congress is looking at some additional fixes from perhaps a P4 program, with many of the elements that we support, to address these shortfalls. And SBE Council is engaged in these discussions.

Support is obviously still needed, given the uncertainty of the pandemic and how it is and will continue to affect reopenings and the economy moving forward. In a recent survey by the National Association of Women Business Owners (NAWBO), 45 percent of respondents stated that they still need access to capital in the form of grants or loans.

We see the private sector, large companies, successful entrepreneurs, as well as State and local Governments, stepping up to meet the capital needs of struggling small businesses and we hope this continues because the need is vast. And we were pleased to see the SEC advance the temporary and conditional rule that eases some of the red tape and costs associated with regulated crowdfunding.

Small businesses are just learning of this temporary rule, which, unfortunately, expires August 31st, and we are asking that it be extended at least through the end of the year. The rule was truly designed to help small businesses, and the feedback that I am getting from several of our online platform members that we work with, who largely serve women- and minority-owned businesses, is

that the relief is making a difference in terms of making this method of financing more accessible to these firms.

With respect to investment crowdfunding in general, there is a tremendous potential and momentum behind this approach to financing for women and minority entrepreneurs. We believed another proposed rulemaking moving through the SEC, which allows for testing the waters, lifting the cap that can be raised from \$1 million to \$5 million, the use of special-purpose vehicles as passed by the House in legislation, sponsored by Chairwoman Waters, and demo day clarification, will simplify and improve the crowdfunding offering framework, which will make it more accessible and cost-efficient for women and minority entrepreneurs.

We are also exploring the concept of a crowdfunding public-private partnership, whereby the Federal Government can match successful raises up to a certain dollar amount, along with investment tax credits. They do this in the U.K., and it has been very successful in that country.

At the end of the day, there is an extraordinary amount of private capital out there, and SBE Council is very committed to policy innovations and incentives that unleash that capital and get it into the hands of women- and minority-owned businesses. There is a lot of work to do, and I look forward to our discussion today.

Thank you very much.

[The prepared statement of Ms. Kerrigan can be found on page 77 of the appendix.]

Chairwoman BEATTY. Thank you so much for your testimony.

And now, Ms. Ross, you are recognized for 5 minutes to give an oral presentation of your testimony. And first, let me say that I would also like to congratulate you on the 23rd anniversary of you leading Bob Ross Automotive Group.

#### **STATEMENT OF JENELL ROSS, PRESIDENT, BOB ROSS AUTO GROUP**

Ms. ROSS. Thank you, Chairwoman Beatty, and thank you, Chairwoman Waters and the members of the subcommittee, for the opportunity to share my story with you today.

My name is Jenell Ross, and I am the President of the Bob Ross Auto Group in Centerville, Ohio, which is the only Mercedes-Benz and Buick-GMC dealership owned by an African-American woman in the United States. My father, Robert P. Ross, Sr., was selected to be in the first class of the General Motors Minority Dealer Development Academy in 1972. My father was the first in his class to purchase a dealership, and it was the only one, when he passed away, to still be in business.

My father became the first African-American automobile dealer in the States of Indiana, Ohio, Kentucky, and West Virginia, along with being the first African-American International Harvester Dealer in the U.S. in 1974.

In 1979, my father purchased a Buick and Mercedes-Benz dealership in Centerville, Ohio, and he became the first African-American Mercedes-Benz dealer in the world. In 1997, my mother, Norma J. Ross, assumed command of the dealerships after my dad's untimely death. At 27-years-old, I was thrust into running the day-to-day operations as vice president/dealer principal. Imagine walking into an

automobile dealership meeting as, sometimes, the only female and/or person of color in the room who didn't work for the manufacturer or the travel company that set up the meeting.

I became president of the Bob Ross Auto Group in 2010 as the result of my mother's passing. It has been 23 years this week that I have led our organization, and I hate to say that the diversification of the automobile dealer body is no better than when I started.

According to the National Association of Minority Automobile Dealers (NAMAD), at the end of 2019, there were a total of 1,243 ethnic minority automobile dealerships in the United States out of 19,000. The breakdown is as follows: African American, 265; Hispanics, 585; Asian, 283; and Native American, 110.

Ethnic minority women represent 72 of the 1,076 women-owned automobile dealerships. Only four of these women are African American—Gail Martin, Juanita Baranco, Eillaena Fairhurst, and myself.

Since the initial launch of PPP and EIDL programs, several financial institutions explained to many small businesses that they were excluded from gaining access to these financial opportunities because of the, "know your customer" rule, even if the business had a banking relationship without having a credit lending history with them. NAMAD states that PPP left over 60 percent of the minority dealer body without bank approval and/or were told to seek another financial institution to apply for funding in the first round.

Historically, access to capital has been the leading concern of women- and minority-owned businesses to survive, and during this pandemic, it has been no different. Even though the Bob Ross Auto Group has a very strong relationship with our financial institution, I, too, faced obstacles when applying for the PPP loan. After several days of waiting for proper information to submit our application, I, too, was instructed to go elsewhere.

Fortunately, I was able to approach another financial institution, and in a matter of 48 hours, I was given approval. I, unlike many women- and minority-owned businesses, had the reserves and the safety net through financial relationships to fall back on.

Despite these preparations and adjustments of our business operations during the pandemic, we are continuing to invest thousands of dollars to ensure the safety of our employees, clients, and facilities. I still feel a heightened sense of uncertainty, much like other women- and minority-owned businesses, of not knowing if we will be able to survive in the short term.

In the end, the PPP program has allowed small businesses to keep our doors open, and to help reduce the amount of employee layoffs and business closures. The majority of all ethnic minority auto dealers are located in rural areas, and provide a significant amount of resources and financial support to local businesses, civic, and community-based organizations. NAMAD's concern is, once these funds run out, will these small businesses be forced to lay off employees, once again, who had to get rehired to participate in the PPP program?

As women- and minority-owned companies continue to pivot their operations during the pandemic and navigate a new normal, it is imperative to utilize multiple resources to help drive their sustainability and growth. Being certified through the Women's Business

Enterprise National Council (WBENC) and the National Minority Supplier Development Council (NMSDC) allows business owners to develop relationships with corporations and businesses who value diversity and inclusion and are looking to partner with like-minded companies.

We have been awarded many contracts from the State of Ohio Minority Set Aside Bid regarding their vehicle needs. We continue to work with our regional partners to help grow our business and yield success of winning bids to add revenue to our operation. At the end of the day, without access to capital, a sound financial relationship, and education, the wealth gap for women- and minority-owned businesses will continue to widen.

Thank you.

[The prepared statement of Ms. Ross can be found on page 83 of the appendix.]

Chairwoman BEATTY. Again, I thank all of the witnesses for your testimony. I now recognize myself for 5 minutes for questions.

Recently, the Federal Reserve Bank of New York found that approximately 60 percent of minority- and women-owned businesses are considered at risk or distressed. We also read that many of them use their personal funds. Our committee has held hearings to examine the cause and impact of racial wealth disparities.

To our two Chambers leaders of the African American Chamber and the Hispanic Chamber, how does the racial wealth gap impact access to emergency funding for minority-owned businesses during periods of financial challenges, such as we are going through now with COVID-19? So, that will be to the two of you.

And then, Ms. Ross, do you believe the racial wealth gap impedes the success of minority- and women-owned businesses?

I will start with you, Mr. Busby.

And I will then go to you, Ms. Castillo.

Mr. BUSBY. Thank you for the question, and thank you, again, for allowing us to give our testimony.

That is a great question and as we talk to our business members across the country, the number one concern that they all have—

Chairwoman BEATTY. Would you speak up a little bit, Mr. Busby?

Mr. BUSBY. Thank you, again, for allowing us to have this testimony.

As we talk to our members across the country, the number one concern that they all have is access to capital. There was a survey that was done that said that the average Black family had roughly \$400 in savings for an unexpected emergency, and those same homeowners, many of them, are now business owners. So you are placing the burden of having excess capital to get them through tough times with very limited resources collectively.

The second thing, the access to capital, the cost of that capital is extremely expensive. The average African American is paying twice the rate of our White peers, and only about 33 percent of our businesses actually have a line of credit.

Chairwoman BEATTY. I am going to have to interrupt you to go to the other two, because I only have a few minutes left. So, I will go to the next witness. Thank you.

Ms. Castillo?

Actually, I will go to you, Ms. Ross, because my time is ticking down.

Ms. ROSS. Yes. Can you repeat the question, Chairwoman Beatty?

Chairwoman BEATTY. Yes. Do you believe that the racial wealth gap impedes the success of minority- and women-owned businesses?

Ms. ROSS. It comes all back to education. And without the opportunities to educate minority- and women-owned businesses, it does put us at a hindrance in terms of continuing to move forward. And if we have the opportunities, we have definitely shown that we deserve to be at the table and be in the room; but without those opportunities, and for people not thinking that we should be, then that continues to create the problems that we have.

Chairwoman BEATTY. Thank you.

To all of the witnesses—and we will start with you, Ms. Kerrigan, and then go backwards.

I am very proud that all of you talked about the disparities and the challenges, and I was really pleased to hear you all mention the small businesses, the gigs, the 1099, et cetera. Early on, I went to the House Floor and advocated for those, and I would like to believe it had an impact on our second round of funding.

The question is: What would you say to corporate America and to banks right now in this space we are in? People are really putting in more value. Majority companies are coming to us with money. Maybe some of it is guilt dollars. What would you say to them to help put more African-American and other minority businesses into the hopper?

Ms. Kerrigan?

Ms. KERRIGAN. I would say to put your money where your mouth is, generally, and to really make a concerted effort to outreach to this community, and to look at the process by which you are outreaching and any type of the systems, the application process, whatever, that you may have for accessing capital, potential loans, potential dollars, and to simplify it as much as possible.

One size does not fit all, and you really have to meet the needs of these entrepreneurs where they are, and a lot has to be simplified, and understanding that they are not all the same businesses.

Chairwoman BEATTY. Okay. We will try you again, Ms. Castillo, if you are unmuted. Is there anything in 10 seconds you would like to add?

Ms. CASTILLO. Yes, pretty much, I totally agree with Ms. Kerrigan. In our community, only \$3.7 billion from PPP went to our community, and the average loan was about \$54,000, so I would just put—

Chairwoman BEATTY. Thank you. I like that. I am going to end with, put your money where your mouth is.

Don't worry, to the other witnesses. We will have plenty of other questions coming from my colleagues.

At this time, I would like to recognize the distinguished ranking member of the subcommittee, Mrs. Wagner, for 5 minutes.

Mrs. WAGNER. Thank you, Madam Chairwoman.

Ms. Kerrigan, from your work with entrepreneurs and startups, what sort of regulatory barriers—and you touched on this briefly—have you experienced that have made it difficult to access capital and financial services?

Ms. KERRIGAN. The biggest barrier right now is actually getting clear, if you are talking about investment capital, is actually accessing and getting access to the investors. But when you are talking about—a lot of them look at equity and debt-based crowdfunding, and they see it has great potential.

There are two things I think are holding them back. The first is some of the red tape and a lot of the burden in terms of the first forms, filling it out, what comes next.

And the second, which I found very interesting, and we are learning more about, is this temporary relief that the SEC did. Most of these businesses are looking for debt financing, and so, the crowdfunding rules are treating all businesses the same, as one-size-fits-all, and I think we have to look at this a little differently and say, well, the information that the SEC needs or the intermediaries have to collect, does it have to be as intense as, say, an equity raise versus a debt raise?

And can we look at the structures and say, do you need to be a corporate structure in order to access the finances as they do right now or can they be an LLC or can they be sort of a sole proprietor because they know they can be a bank loan?

But right now, obviously, Congresswoman, the climate is so different than it was pre-COVID-19. I don't know if you are talking about the PPP loan or Main Street lending but—

Mrs. WAGNER. Ms. Kerrigan, if I could interrupt you, in your testimony you mentioned the idea of creating a public-private partnership fund, and I am very interested in learning more about this co-investment model and how it could provide increased access to capital for women- and minority-owned businesses. Could you go into further detail about this fund? You also mentioned that the U.K. has a co-investment model. If you have any specific data on the success of the program for women- and minority-owned businesses, I am very interested.

Ms. KERRIGAN. Yes, and I will follow up with more specific information and data. I'm just beginning to talk to our members and sort of the crowdfunding community about the existing way. It has been very successful, so much so that they are increasing the fund. Most startup ecosystem raises its money online now, because there are tax credits, and U.K. policies do support investment crowdfunding.

The whole notion of the public-private partnership is that the Federal Government will, if a small business raises X amount, come in and match that. But they will work with the existing platform. So, the government is not picking winners and losers. They are picking who the crowd believes, the investors believe is a business that can make it.

And we do know that with crowdfunding in general, women entrepreneurs have more success at crowdfunding raises, and we do know that there are many more minority businesses that are using crowdfunding, going through their local community in order to keep

those businesses in those communities and giving their customers for the first shot at investing in their businesses.

Mrs. WAGNER. Okay. And let me interrupt you just in the interest of time here. Ms. Castillo, and Ms. Kerrigan, but Ms. Castillo, if you could go first, I was proud to introduce the bipartisan Calculate PPP Forgiveness Act with my colleague, Congressman Lacy Clay, as I mentioned in my opening statement. This bill would direct the Small Business Administration to create or certify a PPP loan forgiveness calculator that is free and accurate, so small businesses can more easily populate their loan forgiveness applications. It would also help resolve tensions between lenders and small businesses over what payroll expenses should be covered, et cetera.

Would this benefit your members as they navigate forgiveness applications, Ms. Castillo?

Ms. CASTILLO. Yes, I think that it would. I really think it would. They do need quite a lot of education as well, but I do like what you just proposed, yes.

Mrs. WAGNER. Ms. Kerrigan?

Ms. KERRIGAN. Yes, because it would promote certainty across the financial—we are all using the same calculator, right? And I think having it as simple so that businesses know what the government is putting out there, and what will be forgivable. I think it is very important.

Mrs. WAGNER. We are going to try to include it in the next package going forward. So, I thank you for your input.

Madam Chairwoman, I am out of time, so I yield back.

Chairwoman BEATTY. Thank you very much.

The Chair now recognizes the distinguished Chair of the full Financial Services Committee, Chairwoman Maxine Waters.

Chairwoman WATERS. Chairwoman Beatty, let me just say that as I am sitting here watching you, I am thinking about how important diversity and inclusion is. If it was not for diversity and inclusion, I would not be sitting here with you in this very, very important hearing. You would not be sitting here as the Chair of the Subcommittee on Diversity and Inclusion. And we would not have been here at a time when we have COVID-19, where we were able to exercise some power in order to do everything that we could to try and get resources out, liquidity into the agencies that should have the kind of resources so that they could make the loans.

So, I am very appreciative for your work, and you were primed for this task based on your work with the Office of Minority and Women Inclusion (OMWI) and the way that you came to this Congress, indicating your support for opening up this opportunity.

Now, we have been confronted with COVID-19 and PPP, and we have learned an awful lot that we had not expected. First of all, I want to thank those banks that participated and did it the right way, but I want to tell you that some of the biggest banks in America literally opened up portals for their concierge clients early, and they spent millions of dollars, maybe billions of dollars funding those concierge clients, their big private clients. And somehow, in the legislation for the CARES Act, it had opened up the opportunity for SBA loans that were normally for those businesses, 500 and under, to now be spread out to restaurants and hotels, et

cetera, who had many locations and franchises, et cetera, and they were able to get millions of dollars. That was not intended.

And so, we know about that, we have learned an awful lot about that, and we have to shut that down, so that will not continue to favor the high-income private clients of banks.

In addition to that, we learned an awful lot about what was going on with our Minority Business Development Agency that was created by an executive in 1969, for minority business development agencies. It was supposed to be tasked to foster growth of minority-owned businesses in America but it is at the whim of Presidents and Secretaries of Commerce because it is not in the law.

I heard you when you talked about that, Mr. Busby. We are going to take care of that because we want every opportunity for our small businesses and our minority businesses, our women-owned businesses to have access to capital, or we won't survive. I heard you when you talked about the 8(a) Set-Aside program. That was a very successful program. Minorities had gotten involved with it, and did well. But guess what? That got shut down because you did too well. After you reached a certain level, they excluded you from the program. We have to open up 8(a) Set-Aside all over again.

I convened a lot of our CDFIs who did not have access to capital, and learned that they were operating on at such different levels. For example, you have some that had no liquidity. They were dealing with some joint venture-type opportunities. We had some with just a small amount of resources that were begging for more. But that is under the Treasury Secretary, who has the opportunity to fund through that CDFI Fund, and we are going to increase that and open up more opportunities for CDFIs.

Also, we have been working for a long time with MDIs, and it is very important for you to know that, because of Ms. Velazquez and myself, we were able to get that \$60 billion and target it so that \$10 billion of it went right to the MDIs, and to the CDFIs, and to our credit unions and community banks.

It would not have happened had it not been minority women sitting there. That is why opening up opportunity and diversity and inclusion is so important everywhere, in the private sector, in the government sector, everywhere. Unless you have people who not only understand these issues, but have been the victims of these issues, and see how wealth has not been able to be accumulated in our communities, you will never get the opportunities to open up.

So I am pleased that we were able to get right to Mr. Mnuchin, and right to Mr. Powell, so that we were able to change some of the ways that they were doing things. I won't go into all of that now, but we absolutely changed the way that the Main Street Facility was operating with the Federal Reserve. We absolutely were able to get the \$60 billion and direct more to the CDFIs.

So, I am so thankful for your work, Ms. Beatty. I am so thankful for this hearing. I am so thankful for the witnesses who are telling us how we can even do better, and I am looking forward to correcting some things, but looking at the Fintechs to open up another opportunity.

I yield back the balance of my time, and I thank you for allowing me this time.

Chairwoman BEATTY. Thank you very much, Chairwoman Waters.

Now, the Chair recognizes the gentleman from West Virginia's 2nd District, Mr. Mooney.

Mr. MOONEY. I don't have any further comments. Thank you.

Chairwoman BEATTY. Thank you. The gentleman yields back.

Now, it is my distinct honor to recognize the gentleman from Missouri, Mr. Clay, who is also the Chair of our Subcommittee on Housing, Community Development, and Insurance, for 5 minutes.

Mr. CLAY. Thank you, Madam Chairwoman, and I thank you and Ranking Member Wagner for conducting this most important hearing, and let me thank the witnesses for their participation today.

The racial and gender wealth gap has been a persistent challenge for this country, and has increased over the past 50 years, and limits the ability of women and minority would-be entrepreneurs from starting new businesses. And according to a racial wealth gap analysis by McKinsey & Company, African-American and Latino families have approximately one-tenth the wealth of White families. Startup businesses need capital. Unfortunately, minorities are not as likely to have access to generational wealth and personal assets as the funding source for new business formation as a result of the wealth.

My question is to Ms. Castillo and Mr. Busby. What have your members shared about how the lack of familial wealth affects the startup of minority-owned businesses? We will start with Ms. Castillo.

Ms. CASTILLO. In my community, as you know, I think they are the most affected every time they go to a bank, just because we are Latin. They don't have the same facilities. They don't have the same advantages.

When I started my business, it took me quite a while to get a loan. On our board of directors, we have several financial institutions, and those financial institutions are very committed to our community. They do have special programs, for example, JPMorgan and Goldman Sachs and Wells Fargo do have special programs just for us, and they certainly treat us more equally.

Mr. CLAY. Thank you for your response.

Mr. Busby, how has the lack of familial wealth affected the startup of minority-owned businesses?

Mr. BUSBY. Thank you, Representative Clay, for your question.

Again, if you ask any small business owner what their number one concern is, they will say access to capital. But when you ask a Black business owner, he or she will say, that the number one, number two, and number three concerns are access to capital, not just the access, but the affordability as well as the availability of capital, to be able to start and sustain their businesses, and not just through pandemics, but through normal business practices. It is extremely difficult for Black businesses to be able to access the capital.

And the reason that it is important is that we lost 450,000 Black-owned businesses during this last 3 months, which means they all have customers, clients, vendors, and employees. And for those ex-

isting Black-owned businesses, we need to look at mergers, acquisitions, and joint ventures, to be able to take advantage of those lost businesses, to be able to merge those into our existing Black-owned businesses.

At the U.S. Black Chamber, I have heard the conversation about Fintech. We believe that the future of Black-owned businesses is going to be with traditional Black and minority CDFIs. During this pandemic, they told us to go to your existing bank to ensure that you had a relationship to get the funds. If we don't establish banking relationships now, then in the future, our businesses will be hit twice as hard.

So for us, we are looking for capital, but also, we are looking for financial institutions to ensure that they lower or remove the barriers to credit and make sure that it is affordable for our businesses.

Mr. CLAY. Thank you so much for that. And I heard Representative Wagner's example of a barber shop owner having to go to a payday lender.

Ms. Ross, I believe, mentioned one of the instructions in the PPP program was with not having loan activity with an institution.

Could any of the witnesses respond to that? Quickly, does anyone want to talk about the challenges that the businesses had when they went for the PPP?

Mr. BUSBY. Well, first if the name of the program was the Paycheck Protection plan, and of the 2.6 million Black-owned businesses, only 2.5 million have no employees, that left roughly 100,000 Black-owned firms that would have even qualified to go and get the additional funding that they needed, so just in the name of the program, many of our businesses said that it did not include them.

Second, you had to have a banking relationship with the lending officer, and only 30 percent of our businesses had that. Third, if they made the program available on a Friday—

Mr. CLAY. I am having a little trouble hearing you, Mr. Busby.

Chairwoman BEATTY. I have to remind the gentleman that his time is up. I'm sorry.

Mr. CLAY. No problem. I yield back.

Chairwoman BEATTY. Thank you. The gentleman yields back. The Chair now recognizes the gentleman from Tennessee's 18th District, Mr. Kustoff, for 5 minutes.

Mr. KUSTOFF. Thank you. I want to thank the chairwoman for convening today's hearing, and the ranking member as well. I certainly appreciate all of the witnesses coming before us to testify today.

Ms. Kerrigan, if I could, last I checked, there is around \$130 billion left in the Paycheck Protection Program, and of course we know that as of now, it goes through August 8th.

Last week, we had testifying before our committee Treasury Secretary Mnuchin and Federal Reserve Chairman Powell. Secretary Mnuchin, in his remarks, said that he wanted to repurpose the remaining money to assist what he characterized as especially hard-hit businesses.

My question to you is, if you had 15 minutes directly with Secretary Mnuchin or Fed Chairman Powell, what would you tell them

about specific ways to use this leftover money to provide additional relief, specifically to minority-owned businesses or women-owned businesses.

Ms. KERRIGAN. I think as the program went on, and as there were changes made and they began to onboard Fintechs and CDFIs and the distribution channels, I think it had gotten better in terms of reaching more women and minority entrepreneurs and self-employed businesses. And all of those types of businesses that didn't have those commercial relationships with their banks.

But I would say this, I think, in acknowledging and recognizing that they do want to address the hardest hit and those businesses that weren't able to capitalize or use the Program the first time around, they are on the right track.

And if we are repurposing the money, there does need to be some of that money that will be sort of set aside for employers with 10 employees or less, that we do need to look at, yes, those industries that have been hard hit and perhaps allow some of those businesses to come back for another PPP loan.

But I would also say that you need to broaden the uses of what can be forgiven, the 75/25 rule that became 60/40, that was very restrictive to many types of small businesses, those with high overhead, with those self-employed people. So, we need to change that. You need to include a lot more forgivable expenses, PPE, cloud services, all of the things that businesses have had to expend money on in order to survive COVID-19.

And then finally, I would say you really need to simplify the whole process. And if you are going to start the Program and it is going to be repurposed from the get-go, there has to be clear guidance. It can't continually change, because that confused so many businesses.

So, a simple application process, reaching more businesses, dedicated and targeted to the smallest of businesses, broad usage. And I forget the last one. But I have already said it in my remarks—oh, guidance. When you come out of the program, when you launch out of it, the guidance has to be clear. It is very, very important.

Mr. KUSTOFF. Thank you.

Ms. ROSS, in your testimony you talked about the difficulty you had trying to first apply for, and then ultimately you got the PPP loan. How confusing did you find the guidance that was given to you during the course of the process?

Ms. ROSS. Being a small business owner as things were evolving and changing daily and trying to make sure that the health of our employees was first important to us, but the guidance, as Karen said, continued to change. And ultimately, the application wasn't as bad, but now looking at the forgiveness application, it is like 4 times or probably 8 times the length of the original application.

So with that, we have spent a lot of time, my management team and I, in trying to make sure that we are following the guidelines in terms of getting the most forgiven, but those keep changing, so it is what we worked on a month ago has changed for today.

And I received an actual email last week that said we are still not in a position to really go forward with the application on the forgiveness and that we should have that in another month or so.

So, it has taken a lot of time away from us, having to navigate and pivot and change our organization. And being an automobile dealership during a pandemic with a number of touch points of us involved with vehicles and getting people to understand that has been increasingly difficult from a compliance perspective.

It has just added to the uncertainty and the anxiety of making sure that we are following all of the guidelines, in addition to health and safety guidelines as well.

Mr. KUSTOFF. Thank you so much. I yield back.

Chairwoman BEATTY. Thank you. The gentleman yields back.

The Chair now recognizes the gentleman from Texas' Ninth District, Mr. Green, who is also the Chair of our Subcommittee on Oversight and Investigations, for 5 minutes.

Mr. GREEN. Thank you very much, Madam Chairwoman. I would like to associate myself with your initial comments. But I also would like to thank the Chair of the Full Committee. It is an honor to serve under her leadership. And I especially associate myself with the comments that she made with reference to the Minority Business Development Administration Act, something that I will be working on with her.

I think a little bit of history is appropriate. In 1979, under a Republican Administration, Richard Nixon, by way of Executive Order 11458, created the Advisory Council for Minority Business Enterprise.

And then, under a Democratic Administration, President Carter, in 1979 the Office of Minority Business Enterprise became the Minority Business Development Agency. I am mentioning both of these Administrations because it seems to me that what the chairwoman has proposed, and I am having the honor of working with her on, is something that should appeal across party lines, to both Democrats and Republicans.

Because in fact, what this agency will do, if established as an independent agency as opposed to an extension or arm of another part of the government, if it is an independent agency, it will provide bootstraps in the form of grants.

Many of our small businesses were not able to take advantage of the PPA because they were not prepared with the technical assistance necessary to apply for these loans. They just didn't get in line fast enough.

And those who had lawyers, and accountants, and CPAs were in line and ready to go from day one. As a matter of fact, truth be told, they were ready before day one. They were waiting for day one to arrive. And upon the arrival of day one, all that was done was to hit send and your application was in, for all practical purposes.

Well, what we would like to do is provide these small businesses with the bootstraps necessary to compete when opportunities are available. It is a wonderful thing to know that opportunities are available, but it is an even better thing to be able to take advantage of opportunities when they are available.

This Administration would provide just such an opportunity. It would become a standalone entity, very similar to, but not the same as the SBA. The SBA does marvelous work, and I salute the

SBA. This entity would be given a similar opportunity as it relates to providing what I call the bootstraps in the form of grants.

So today, let me ask the panelists, understanding what this agency would metamorphose into, is this something that you believe you can support? I will start with the witnesses with the Chambers. Let's start with the Black Chamber, please. Is this something that you can support?

Mr. BUSBY. Mr. Green, yes. This is Ron Busby with the U.S. Black Chamber, and we were the 2016 advocate of the year for the Minority Business Development Agency (MBDA). We believe in their mission. We have seen the results of their ability to receive additional funding in the second round of the stimulus package and we saw what they were able to do with the funding. It has made an impact.

They have awarded the U.S. Black Chambers and the U.S. Hispanic Chamber and other minority business organizations with the resources and the funding that they need, to then turn around and make our businesses have the resources that they need—

Mr. GREEN. Quickly, I will ask this of you, you hear people quite frequently talk about pulling yourself up by your bootstraps. Are these grants the kind of bootstraps that we need so that our businesses cannot only survive, but thrive?

Mr. BUSBY. Yes. And it is not just the capital, Representative, it is also the technical assistance that our businesses need.

We need both the resources of funding, as well as administrative and technical assistance to not just be able to get the bootstraps, but we need the boots themselves, to make sure that we can walk through the difficult and uphill battles that we are facing throughout not just this pandemic, but life in general.

Mr. GREEN. Well said. Let me say again, well said, and move to the Hispanic Chamber. Would you kindly express your concerns? Could you support this legislation?

Ms. CASTILLO. There is a successful relationship with the MBDA agency. We are very happy. We have been working with them for the last 2 years, and we are very, very happy.

And yes, we do support your legislation.

Mr. GREEN. Thank you, Madam Chairwoman. You have been very generous with the time. I yield back.

Chairwoman BEATTY. Thank you so much. The gentleman yields back.

The Chair now recognizes the gentleman from Ohio's 16th District, Mr. Gonzalez, for 5 minutes.

Mr. GONZALEZ OF OHIO. Thank you, Madam Chairwoman. And thank you, everybody, for your participation in today's very important hearing.

Ms. Castillo, I want to start with you. I am the son of a Latino business entrepreneur, and on the PPP, you talked about the difficulty that our community had in accessing the loans. I guess I have two questions.

Number one, is that still the case now that we have changed the Program and extended it? And if it was and is, was that because of the structure of the Program or because there was something happening in the application process that was sort of weeding out Hispanic business owners?

Ms. CASTILLO. At the beginning, naturally our community didn't get that much, it really didn't. Now, once you fix it, they get another amount of like 54,000 loans, so it is better.

And I think the issue is that our businesses are very small businesses, as you know. It is a lot of having a line of credit, of having even the education to go and apply. The process was complex. And as you know, most of the PPP loans in the first year went to top corporations, corporations with lawyers, corporations that have the resources.

Our community just doesn't have those kinds of assets. But I must say, it is getting better. I think that our community has gotten almost 7-something-billion total. But on average, again, a small average of like, \$54,000, or \$55,000

Mr. GONZALEZ OF OHIO. That is consistent with Mr. Busby and what you said, right? And I think what this hearing has sort of shined a light on is something we knew, which is that the PPP program is not perfect. And I think also it shines a light on the fact that it just didn't hit our minority communities in a way that maybe we would want. And so as we go forward, I think retooling it or having a different program probably makes the most sense frankly.

Ms. Ross, I want to transition to you. You have such an amazing personal story and I thank you for sharing it. And one of the things you highlighted is the difficulty that we have getting diversity in the automotive space and entrepreneurship in general.

And I guess I would like to ask you, just sort of broadly speaking, what do you think we could be doing a better job on as a society but also congressionally to support women and minority entrepreneurs who are taking that big risk?

Ms. ROSS. It goes back to what I said in my statement. But the access to capital has historically limited minorities, and specifically in the automobile business, due to the heavy investment that is needed in order to become an automobile dealer.

And within our industry, there are a lot of generational families who have been able to pass down their dealerships. And from an African-American perspective, we have not had that.

For me to be the only female, African American, second-generation automobile dealer just speaks to that volume, where there are hundreds of Caucasian women who would be able to be in that position. And I give kudos to NAMAD to starting an organization to help the next generation to try to facilitate that from an earlier perspective. But it does come back to the access to capital, just a huge investment that is needed to become an automobile dealer.

And the manufacturers need to take the responsibility of assisting, and widening, and broadening their programs that they are offering, because there are a lot of individuals who are capable and can perform to the level of nonminority dealers if given the opportunity.

Mr. GONZALEZ OF OHIO. Thank you.

And then, Ms. Kerrigan, with my final 40 seconds, are there any statutory or regulatory barriers that you see that limit this access to capital that we could remove either temporarily or in full as we navigate the crisis?

Ms. KERRIGAN. I do. I think we are big on equity and debt-based crowdfunding, we lead the whole effort. We made that legal to begin with. And I just think there is tremendous opportunity for committees to support the businesses in those communities.

And thankfully, the SEC is addressing, I think some of the rulemakings to lower the barriers, but there is more that Congress can do as well, in terms of lifting it up in terms of the accredited investors and making sure we treat debt and equity the same. And I think that is going to have to come through congressional action because most small businesses are looking for debt and not for equity.

And again, I think we are at the point where the community wants to support these small businesses. And small businesses definitely have the customers and the families who can support them. We have a list of things I can share with you, Congressman. And thank you for that question.

Mr. GONZALEZ OF OHIO. Thank you, and I yield back. Thank you, Madam Chairwoman.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentleman from Florida's Fifth District, Mr. Lawson, for 5 minutes.

Mr. LAWSON. Thank you, Madam Chairwoman. And I would like to also thank the witnesses for appearing here today.

I have been working with minority businesses from the standpoint of being in the insurance business. But also I think, Mr. Busby, you might know about the publication called the Black Pages. In fact, I have done it in this area for over 30 years.

One of the problems that I found, and maybe you can elaborate on it to a certain extent, is that it has been a very difficult keeping that publication going for 30 years, because we have a hard time getting minority businesses to advertise.

Not only am I a member of the Black Chamber of Commerce, I am also a member of the main Chamber of Commerce and I have served on their board. I am saying that to say this, when we started having these problems and sometimes—Chairwoman Waters might want to respond to this too—

I found out that those businesses, where if they were attorneys, or consulting firms, and so forth that seemed to be more in the mainstream of everything, they immediately applied for the PPP. But when the people that I was concerned about might be calling grocery stores, barbers and beauticians, and people of that nature—I know Ms. Ross might have some concerns to add and I don't want to take up all of the time—I had a lot of difficulty in trying to get them to even apply, because it seemed almost it was that tier there. And so by the time they got ready to apply, they said that all of the money was gone.

And I know right now there is about 100-some billion dollars still in there. I want to ask Mr. Busby, how do you respond to that as being over the Black Chamber of Commerce, do you experience some of the same kind of results?

Mr. BUSBY. Sure. And that's a great question. I would say that we lost 450,000 businesses. I want to keep saying that, because we have \$130 billion left. Had that \$130 billion been made available and accessible to those 450,000 businesses, the majority of them

would still be in business. The payroll protection plan when it came out, again the name said payroll protection, so that meant to a business owner that did not have full-time employees, they felt that it was written for them.

The second piece, if you look through the pieces, in the legislation, the 700-plus pages, the words “Black” or “African American” were never listed. And so again, when our communities heard about the stimulus package, they felt like it wasn’t necessarily for them.

Third, when they said go to the bank, again the majority of our business members across the country may know their teller, may even know who cashes their check, have a checking account, a debit card, but they didn’t have a lending relationship with the bank and so they felt like they were displaced in the opportunity.

And then lastly, it was just application fatigue. So now, when you go back to business owners and say, there is money still available, they are nervous, because they have now heard that the Internal Revenue Service has placed additional funding—Internal Revenue agents to go out to make sure that the small businesses that may have gotten a couple of extra thousand dollars are now being audited and are facing extra scrutiny.

And so many of them have said, hey, I think I have made it through the most difficult times. We are getting ready to reopen and so I have to think about the future as opposed to what has happened in the last 3 months. We are trying to educate our businesses that there are funds still available, but it really is about them understanding how to go about it, and making sure that the banks and community CDFIs that they have relationships with understand it as well.

Mr. LAWSON. Okay. And thank you.

Madam Chairwoman, I just wanted to say, since you are here on this call, how do we get this message out to them in language, what Mr. Busby just talked about, to try to inform them, and I know Ms. Ross might have some ideas, and I don’t want my time to run out. But I am just going to cut it off, because there seems to be a great deal of problems in communication.

Mr. BUSBY. It was really unclear coming out initially, who, how, when, and where. And so for our community, it just took them a few days longer. And during the course of those few days, they heard that the funding was gone.

I think that as you discussed, there are great opportunities through Black Pages, Black online, Black media, and Black news to ensure that our businesses understand how, where, and what is responsible for getting the additional dollars.

Mr. LAWSON. My time has run out. And I yield back, Madam Chairwoman.

Chairwoman BEATTY. Thank you. The Chair now recognizes the gentleman from Wisconsin’s First District, Mr. Steil, for 5 minutes.

Mr. STEIL. Thank you very much, Madam Chairwoman. Thank you for calling today’s hearing on a really important topic.

I want to build on what was just being discussed there, and would like to go back to you, Mr. Busby. One of my good friends was the President and CEO of the Milwaukee African American Chamber of Commerce, Dr. Eve Hall. She now runs the Urban

League in the City of Milwaukee. And I have spoken with her and others.

And earlier, we were talking about capital formation, and Representative Ann Wagner dove in there. And then later, you had comments about boots and bootstraps, that I think is very topical. Not only do you need access to the capital formation, but sometimes you need to have some knowledge and some mentorship.

And I know the African American Chamber of Commerce was very involved in creating those types of relationships. Could you just share what you think are some of the best practices, making sure that we are getting information out, not only broadly, but in particular in the African-American community as well?

Mr. BUSBY. Great question. I do know Dr. Eve Hall. She is a graduate of Florida A&M University, which is also my alma mater. When you speak to her again, tell her I said hello.

I think the Urban League, as well as the U.S. Black Chamber and other local institutions play a critical role. We are the voice of Black business here at the U.S. Black Chamber. So we make sure that we try to develop great relationships with our local communities and local business owners, but we still have challenges.

In many communities, they are facing challenges that don't reach Washington, D.C. And so, when they hear about what is happening here in the Nation's Capital, they don't understand the impact that it has on their local business and or local community.

So, it is our role through our local chambers to really be the mouthpiece for our local communities here in Washington, as well as from Washington back to our local Black and Latin businesses that operate across the country.

But I think we just have to be transparent. When we were asking for data early on about who was getting the loans, no one was able to share that. When we were yelling at the top of our lungs that we were going to lose 35 to 40 percent of our Black-owned businesses, no one heard that. And then the data came out that we had actually lost 41 percent. And now, Congress and other folks are saying, "Wow, we didn't see it coming."

It is about having a realistic conversation as opposed to having one that is based on emotion. And so we are saying, we need transparency early on, from contracts, to loans, as well as opportunities.

And then the third piece, I just want to make sure that I get an opportunity to say, when we are talking about government, as well as corporate America now saying, hey, we want to do more business with Black-owned businesses, we have to make sure that there is a certification to ensure that these businesses are actually Black-owned, so that corporate America can actually certify and say, yes, I am supporting a Black-owned business.

Because right now, we all fall under the umbrella of minority business. And we are not just minority businesses, we are Black businesses, we are Hispanic, Asian, and other, but we are not all Hispanic. And right now, when we are facing a pandemic that has a trifecta on the Black community, we need to be isolated out in reference to our support and as referenced to the dollars that are being spent from both corporate America, as well as the Federal Government.

Thank you.

Mr. STEIL. Thank you very much. I appreciate your passion on the topic. Thank you for sharing your insight.

I want to shift gears slightly and ask Ms. Kerrigan a question. One of the things I think we have seen during the broader pandemic is the ability of us to leverage in the technology, to make sure that we are getting access to people who may not have an easy time getting access to bank loans. And as we are thinking about kind of online notaries and some of the other legislative reforms that we can do, I would ask you to comment on what you see as the role of leveraging some of the financial technology services that are available to make sure that we are getting access to those who may not traditionally have a seat at the table.

Ms. KERRIGAN. Oh, it is critical. I think it is so critical. And thankfully, but unfortunately at the end of the first tranche of those PPP funds, the Fintechs were brought on board. And once they were, I think they made a pretty big difference in terms of these 21 lenders that did a significant amount of lending.

So, it makes a big difference because they have the automation, they have the artificial intelligence (AI), they have actually between them all of the customer lists that they were able to outreach to them.

So yes, we need to have the modern systems. As we like to say to our business owners and entrepreneurs, you have to meet customers where they are. We know they are using social media, they are using cloud services, they are using platforms. This is a platform-based economy. And in fact, the pandemic accelerated the movement to this platform economy. So that is why Fintech and technology is going to become even more important, so the government does have to recognize that and not be an afterthought. This has to be done at the beginning of any program.

Mr. STEIL. Thank you very much, Ms. Kerrigan.

I appreciate you holding today's hearing, Madam Chairwoman. And I yield back.

Chairwoman BEATTY. Thank you so much. The Chair now recognizes the gentlewoman from Massachusetts Seventh District, Ms. Pressley, for 5 minutes.

Ms. PRESSLEY. Thank you, Chairwoman Beatty and Chairwoman Waters. I do believe that these are old fights, but it seems that we might be on the precipice of ushering in a new moment, and it has everything to do with the vigilance and the leadership of both of you. So thank you for your leadership, and thank you to all of our witnesses for joining us today.

While this crisis is unprecedented, the disparities revealed in our economic system and subsequent Federal response are unfortunately very familiar. From the Homestead Act to New Deal programs in the GI Bill, Black Americans have historically been locked out of large-scale government intervention and investment. We must not repeat exclusionary policies of past Federal responses.

So, what does that mean? That means requiring the disclosure of racial data to better inform our allocation of resources for everything from testing and treatment to small business relief. And I appreciate very much seeing data on who actually received PPP loans, but the data we need is on who didn't receive PPP funding, who was denied and why, and why was it late?

The National Bureau of Economic Research found that 41 percent of Black businesses have shuttered since the pandemic began. From the onset, experts estimated that up to 95 percent of Black women business owners would be left out of the Program.

Mr. Busby, could you speak specifically to the challenges faced by Black businesses, and that PPP funding and access to it was conditioned on access to banking?

Mr. BUSBY. Yes. Again, when we first heard about the payroll protection plan, it was discussed on a Friday afternoon. By that Monday morning, the majority of the dollars had been already presented to 50 publicly traded firms in the amount of \$250 billion. And so, many Black firms did not find out about the opportunity until the 11th hour.

We also know that again, as I stated earlier, it was based on having a banking relationship.

Ms. PRESSLEY. Preexisting.

Mr. BUSBY. A lending program and many of our businesses just did not have a loan currently because of the cost, as well as the inability to be able to get credit from an existing bank, so we did not.

Ms. PRESSLEY. Thank you. So, just reiterating that, since the majority of minority-, immigrant-, and women-owned businesses are micro in size—beauty salons, barbershops, bodegas, they are the backbone of our local economies. Yet, we just heard from struggling owners throughout the district based on the very point that you underscored there.

So, the relief was nowhere to be found. And this includes Murray's Kitchen in Dorchester, which applied for PPP assistance back in May and has yet to hear back. Organizations in my district like BECMA, Commonwealth Kitchen, Amplify, Latinx, JPNDC, EforAll, and so many others have stepped up to provide businesses with support, but ultimately this is about Federal Government relief.

As I said, these are old fights in a new moment. I hope this new moment is about new action. I introduced, in partnership with Senator Kamala Harris, the Saving Our Street (SOS) Act, to provide micro business owners with direct grants, not loans, of up to \$250,000. We have to be intentional. And this bill requires 75 percent of the micro business assistance fund set aside for minority- and women-owned businesses.

Mr. Busby how does the SOS Act correct some of the challenges of previous relief efforts? And why is it so critical to provide relief in the form of grants instead of loans?

Mr. BUSBY. Well, we heard from Black Americans that the United States just wrote nearly a \$2 trillion check in response to a stimulus that was needed from a pandemic.

Black Americans have been saying we have been facing a pandemic for hundreds of years, and we want to have a conversation, and not necessarily just about reparations, but about equity. And so, as we would talk about a stimulus package that is geared towards micro businesses, the U.S. Black Chamber is definitely in favor of that.

Ms. PRESSLEY. Thank you.

Mr. BUSBY. We want to make sure that the dollars go to the businesses as well as the sectors that need it the most: 40 percent of all Black business revenue comes from 5 industries, and those 5 industries were the industries that were hit the hardest, and many of them were the same types of businesses that you have there in your district—restaurants, beauty salons, nightclubs, and social media types of places where you would normally go to gather are now closed. And many of those businesses don't see the future, but they definitely need the income as well as the grants to be able to have sustainability.

Ms. PRESSLEY. Thank you, Mr. Busby. Again, it is just clear that it is not a one-size-fits-all approach. We have to be targeting and very precise in the same way that we have codified disproportionate hurt, we can codify through law making justice and equity, and so I thank you for endorsing the legislation and we look forward to continuing to advocate for it, and to see it passed. Thank you.

Mr. BUSBY. Thank you.

Ms. PRESSLEY. And I yield back.

Chairwoman BEATTY. Thank you. The Chair now recognizes the gentlewoman from North Carolina's 12th District, Ms. Adams, for 5 minutes.

Ms. ADAMS. Thank you, Chairwoman Beatty, and thank you to Chairwoman Waters as well. You both have done an absolutely outstanding job. This is an issue that we have been dealing with here in my district.

Let me ask my first question. The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act provided \$1 billion in emergency appropriations to the CDFI Fund and established a further set aside of either 25 percent of the remaining PPP funds or \$10 billion for community financial institutions, including CDFIs and MDIs.

As some of you have outlined, their limitations to the PPP to that program for our CDFIs and MDIs mainly that these banks or financial institutions are limiting their ability to lend based on their existing deposits or reserves. For example, in my State, one of our leading MDIs had to cap their PPP loans at \$14 million. However, if this MDI and CDFI were able to receive a direct infusion of funding, they could continue to provide the assistance that was needed.

I have introduced H.R. 7121 to address this issue. It would provide \$5 billion to CDFI funds and set aside \$2 billion for minority lending institutions. So Ms. Kerrigan and Mr. Busby, could you please highlight the significance of greater CDFI and MDI participation in the PPP? And how could it impact minority- and women-owned businesses?

Ms. KERRIGAN. I will go first.

It's critical. We saw that once CDFIs were on board, additional dollars were provided, and the difference that they made in getting money to those underserved businesses, to minority entrepreneurs.

So, it is a distribution channel that works. And again, CDFI it should not have been an afterthought. They should have been there from the beginning just like Fintechs and some of the other lenders to make sure we have the broadest distribution channels possible.

So, it's very, very critical. And if we are going to do another round, another tranche or a phase for a package, they definitely should be included and funds should be re-upped because they made a huge difference.

Ms. ADAMS. Great. Thank you. In response to the global financial crisis and the Great Recession of 2008, Congress established the State Small Business Credit Initiative (SSBCI) in 2010 to provide \$1.5 billion in funding for State and territory programs that support access to credit for small businesses. This temporary program—and it was administered by the Treasury Department—expired in 2017.

It provided awards to 47 States, 5 Territories, Washington, D.C., municipalities, and 3 States. Unfortunately, the expiration of the program has left a void in the marketplace for affordable small business loans.

Madam Chairwoman, I would like to enter two letters into the record from the North Carolina community banks.

Chairwoman BEATTY. Without objection, it is so ordered.

Ms. ADAMS. Thank you.

Ms. Castillo, Mr. Busby, how could reauthorization of the SSBCI help minority-owned businesses during this pandemic? And do your organizations support the State Small Business Credit Initiative Renewal Act?

Mr. BUSBY. I will go first. This is Ron Busby, U.S. Black Chamber. I will say in our 2020 Blackprint, we have somewhat outlined and addressed your bill specifically. I will also say that we believe that as many avenues that we can put access to capital in our States and local communities, we are in favor of that.

We feel like that as many options as we have available to us, especially our CDFIs and our Black-owned banks, we know that they make 70 percent of their loans to Black homeowners and to Black businesses in local Black communities. That is the way we are going to have to have sustainability—

Ms. ADAMS. We have 45 seconds. So, I will have the other speaker respond.

Ms. CASTILLO. I pretty much agree with what Mr. Busby said. I totally echo his words. I think putting more money on the CDFIs would really, really help. Thank you.

Ms. ADAMS. Thank you.

Madam Chairwoman, I am going to yield back. Thank you.

Chairwoman BEATTY. The gentlewoman yields back.

I now recognize the gentlewoman from Pennsylvania's 4th District, Ms. Dean, for 5 minutes.

Ms. DEAN. Thank you, Madam Chairwoman. Can you hear me?

Chairwoman BEATTY. Yes. We can hear you.

Ms. DEAN. I apologize. I have had some connection issues, but I am delighted to be here. I thank you Chairwoman Beatty, and I want to thank the entire panel of witnesses for joining us virtually today to talk about access and equity for minority- and women-owned businesses, specifically for helping inform us on how we move forward to support the American people as best as we possibly can, not just during a pandemic and an economic crisis, but for the long haul.

Chairwoman Beatty, since you have allowed me to be a part of your subcommittee, I have taken my responsibility very seriously, and I have had the chance to travel around my district, meeting with minority- and women-owned businesses. And I heard about some of the systemic barriers, pre-pandemic. But in light of the pandemic, I have had the chance to follow up.

Just yesterday, I visited four different minority-owned businesses and women-owned businesses in my area. And some of the common themes that you hear beginning with when they were starting their businesses, not during a pandemic, but they had good robust business plans, and the difficulty of getting adequate startup capital was one recurring theme. A second recurring theme during the pandemic has been access to capital as well. I know we have discussed a lot about PPP.

In particular, I spoke yesterday with a woman who heads the Norristown Chamber, Kym Ramsey; she has her own business. And she talked about mentoring others, particularly during this pandemic in terms of business plans, in terms of applications for relief, but also the serious lack of capital support.

I am going to ask a broad question for any member of the panel, I was wondering if you could speak to these often recognized systemic barriers, some are systemic, some may be anecdotal but many are systemic, and what actions we should take beyond PPP, what actions we should take to help ensure access to support systems?

And I would open that to anyone who would care to answer that.

Ms. CASTILLO. Thank you for the question, Congresswoman Dean. I think that minority- and women-owned businesses, and I am certified as both, need to be included in the management, distribution, and brand location of any funds that Congress allocates to the stimulus. Really get us involved. Give us a seat at the table. I don't think the problem will be solved until Congress really engages us, engages Mr. Busby, engages the USHCC, and the NMSDC. You have to have either an advisory council or just some kind of council that is there with you, sharing the issues with you and helping you to write the right legislation, just to make sure it really does work in the communities.

Ms. DEAN. I appreciate that. One other issue that came up often as I visited businesses during COVID, that has been exacerbated, is a bias by financial institutions in lending to women, and in lending to minority businesses and enterprises.

Can you speak to that, and how do we break down those biases?

Mr. BUSBY. Thank you. I will answer that. I think again the access to capital is a concern by all minority-owned, particularly Black-owned businesses. The fastest growing sector of business owners in the country is Black women. And when you ask Black women their concerns, they will say, it is possible to get credit, yes, but they pay an exorbitant price for that credit.

So, it is more than just having monies go into banks and banks then make loans. It needs to also be affordable so that the same business owner who is a White man, is paying the same rate based upon the same credit score, and the same criteria as any minority, particularly Black-, or Brown-, or women-owned businesses. We have to remove the barriers so that all of us have access to it. It

is already difficult enough to run a business, and when you don't have the funding to grow to get through difficult times, it makes it that much more difficult.

Ms. DEAN. Now with your permission, Madam Chairwoman, I will pitch two bills that I have initiated. One is called the Restore America's Main Street Act, which would be direct liquidity to businesses not based on payroll so that the business itself could understand and use that money where it is needed.

And then the other is my NRSRO bill, which I am very happy for the cosponsorship of many on this committee to get access to other credit institutions.

I see my time has expired. Thank you very much, Madam Chairwoman, and thank you to our witnesses.

Chairwoman BEATTY. Thank you so much.

The Chair now recognizes the gentlewoman from Texas' 29th District, Ms. Garcia, for 5 minutes.

Ms. GARCIA OF TEXAS. Thank you, Madam Chairwoman. And I too want to thank you for bringing a topic to the table that is so important, particularly during this time of crisis, in knowing that so many small businesses are hurting and continue to hurt. And as most of our witnesses have said, unless they get help, they may not survive.

I first want to associate myself with the history and comments from my colleague, my good friend from Houston, Congressman Green. I think making the MBDA an independent agency is a step in the right direction. And obviously, it is important to get those bootstraps, but I think the boot is also important.

And so, I want to start with Mr. Busby. I thought that was a very creative way of illustrating what the dilemma is. Tell me, why does it matter that we get all of those technical resources and the help that small business needs, not just the capital but the assistance that can be provided in some of these centers?

Mr. BUSBY. Currently, there are over 2.6 million unemployed Black people in America today.

Ms. GARCIA OF TEXAS. Right.

Mr. BUSBY. That is the bad news. The good news is there are 2.6 million African-American-owned businesses today. If those 2.6 million businesses have access to capital, access to opportunity, then they hire Black people within their community. If that is done across the country, we don't have an unemployment conversation for Black people in America. That is a concern.

As you grow the wealth of Black people, as consumers, we are the best and biggest consumer in the country. As we earn dollars, as we grow our businesses, we spend our dollars within our local and State businesses, that is only going to boost the economy for America. So when you invest in Black-owned businesses, you are investing in ultimately—

Ms. GARCIA OF TEXAS. Right. But I wanted to get to the illustration of the boot, what should the boot contain in terms of technical services to make sure that those businesses can thrive and grow, because then, obviously, the community grows with it and employment increases.

Mr. BUSBY. I think technical assistance is very important. Again, if you look at the majority of Black-owned businesses, they don't

have continuing education, thus the majority of Black-owned businesses are doing less than \$100,000. But those businesses that are doing continuing education, online training, they are all are doing above \$1 million.

And so, we have to invest in the opportunities for our businesses to have technical assistance and that is coming out of the gate. That is not waiting until they have already established themselves, that is from pre-starting your business all the way through the existence of that business. That is how they will continue to be able to grow and have sustainability. That looks like—

Ms. GARCIA OF TEXAS. Thank you. And Ms. Castillo, do you have anything to add to that and what that boot looks like?

Ms. CASTILLO. Thank you. Yes, I do. Actually, we know that technology is here and is here to stay forever. And I totally agree with what Mr. Busby says. I think our community certainly needs that education because most of the businesses, even if it is a little mom and pop, like a restaurant, they don't have computers, they don't how to use assistance. So I am totally, totally in agreement that our community does need the—

Ms. GARCIA OF TEXAS. They also would be accountants and lawyers. I remember as a lawyer helping someone with their—

Ms. CASTILLO. Yes. I think center of excellence to educate them in how to use the computer, and how to complete an application, and how to really run the business. That is crucial for our community. Because we know—

Ms. GARCIA OF TEXAS. Ms. Kerrigan, did you have anything to add?

Ms. KERRIGAN. I will say that for future startup activity and for entrepreneurship in general, that technical information is so critically important. Again, not only for existing businesses, because the world is changing every day, and there is social media, and it is this platform-based economy, you are going to need those types of modern support and that ongoing support in order to navigate, not only the pandemic, but also sort of this ever-changing economy.

So, it is very, very vital. And again, young entrepreneurs particularly, and I think across-the-board and across demographics say that access to technical information is not access to capital, access to technical information is the number one thing that they need in order to start their businesses. They don't know where to go to. So yes, it is vital, very important.

Ms. GARCIA OF TEXAS. Thank you. I only have one second left, and I would say to Ms. Ross, congratulations, and you go girl.

Ms. ROSS. Thank you.

Ms. GARCIA OF TEXAS. With that, I yield back.

Chairwoman BEATTY. Thank you very much.

The Chair now recognizes the gentleman from Minnesota's Third Congressional District, Mr. Phillips, for 5 minutes.

Mr. PHILLIPS. Thank you, Madam Chairwoman, and I thank our witnesses. I think it is fair to say that the pandemic will surely precipitate the failure of far too many businesses.

Mr. Busby already noted, I think, that 450,000 have already closed and more are sure to follow suit. But prospectively, it is also going to present an opportunity for new businesses to be created once the pandemic passes.

But just like so many of my colleagues have shared, including our witnesses, the hurdles to securing capital are terribly high, and often too high for women and minority entrepreneurs. And that is the focus of my forthcoming efforts and also my questions.

Starting with Ms. Castillo and Mr. Busby, I want to ask first about inspiration and then capitalization. First, how do we inspire? And are there any programs on which you are working or you are familiar with to inspire young people to consider entrepreneurship and starting their own small businesses? I would love to hear your thoughts on that and save some time for how we are going to capitalize them.

Ms. CASTILLO. Thank you so much, Representative, for the question. Definitely, young kids now are very entrepreneurial. I think that technology has really helped to make them more entrepreneurial. And it's the reason why they can work from anywhere.

They have these great ideas. And I really think that technology has really triggered that in those individuals. And also, because the market is so tough, jobs are difficult to get. And the pandemic certainly has accelerated that increase.

So I think that young people are more motivated than ever to really start their own businesses, because especially if they are technologically savvy, because they can run a business from a very tiny cell phone. They pretty much just have an idea and run a business.

Mr. PHILLIPS. And Mr. Busby, are you seeing the same things among your members and perhaps future generations?

Mr. BUSBY. Yes, what we have done is we have partnered with the Historically Black Colleges and Universities to create Chambers of Commerce on the University campuses in the future, so that they can get an entrepreneurial experience and education firsthand before they leave college.

Often, many young people say, I want to start a business, at 19- or 20-years-old, but they don't have the experience or the exposure. They end up messing up their credit or their parents' credit, they end up messing their name and an opportunity.

We want those young people to partner with a mentor in an industry very similar to the idea or the concept that they have so they have a better chance of doing two things, long-term sustainability. What we also see is that many of our successful businesses don't have a succession plan.

So you will find businesses that have been in business for 10, 20, or 30 years and then fall off the map because they haven't had anyone to pass it off to.

And so we are asking many of our young people not to necessarily start a new business but to go find an existing business where you can bring your talents and skills that you currently are just coming out of college with, bring that to some of our existing businesses and allow them to have sustainability, as well as allow you to be able to get into a business earlier and have a longer term of success.

Mr. PHILLIPS. I love that. And as the witnesses might know, and my colleagues, I authored a bill called the New Business Preservation Act, which would form a \$1.5 billion allocation through the Treasury Department, to partner with States throughout the coun-

try to set up especially investment funds focused on women-owned and minority-owned setups with a one to one matching component in which venture capitalists can be matched with these funds to provide capital to startups.

Is that the kind of program and initiative that you, Ms. Castillo and Mr. Busby in particular, feel is necessary to inspire that kind of new startup environment.

Ms. CASTILLO. Absolutely. I think that is a great idea. I think any fund, any way to get financing when you are starting your business is absolutely crucial. I support your idea 100 percent.

Mr. PHILLIPS. Wonderful. And Mr. Busby?

Mr. BUSBY. Yes, I believe in the public-private partnership. What we are asking for from our corporate partners is if you have \$100 million in assets, to take 15 percent of your assets that are sitting in a bank, and invest those assets in a Black-owned bank, which then turns around and invests in Black-owned businesses.

And lastly as a president of the local chamber, the United States Black Chamber, invest in us, because we then turn and give technical assistance, and the access to capital, as well as the contracting relationship opportunity of many our businesses which are Black-owned.

Mr. PHILLIPS. I love that, because money without mentorship is like an engine without fuel.

I thank you all for your time.

I yield back, Madam Chairwoman.

Chairwoman BEATTY. Thank you. The Chair now recognizes the gentleman from Illinois' Fourth District, Mr. Garcia, for 5 minutes.

Mr. GARCIA OF ILLINOIS. Thank you, Madam Chairwoman, for allowing me to participate in such an important hearing, and I thank Ranking Member Wagner as well.

I represent a working-class immigrant district in Chicago. Small businesses are everywhere in my community. Before the pandemic, if you just drove down two of the main retail corridors, you would find restaurants, hardware stores, and supermarkets owned by immigrants. But when the pandemic passes, I am not sure what will still be there.

Businesses shut down temporarily in March, but more and more are announcing that they will be closed for good. We need to act fast to fix that. First of all, our businesses need revenue, they need customers. The people in my community are worried about how they can pay the rent and pay their medical bills.

If the Senate doesn't pass the HEROES Act, and Congress doesn't do more to ensure that people can stay in their homes and meet their needs, then no amount of loans can save these businesses.

Small and minority-owned businesses also need access to credit. Before the PPP program, there were not many SBA lenders who operated in my community. After PPP was launched, it was not easy for additional lenders to get approval to make loans under the Program.

We have talked a lot about how hard it was for minority-owned businesses to get credit in the early days of PPP, and in my community, this is a reason why.

Ms. Castillo, do you think the small, minority-owned lending institutions have built a better relationship with the Small Business Administration through the PPP program or has the implementation of the Program added new hurdles?

Ms. CASTILLO. I think they have built a good relationship lately. I think when the program was implemented, they didn't. But I think likely, yes.

Mr. GARCIA OF ILLINOIS. Okay. Good for you.

SBA released data about those who would access loans from the PPP program. Unfortunately, the main revelation from this release is that the SBA needs to do a better job of collecting data on this program. How can we act in Congress and in our communities to encourage better data collection by the SBA so that we can understand who benefited from these programs?

Ms. Kerrigan?

Ms. KERRIGAN. Data is critical. And it starts at the very beginning in terms of collecting that data in the application process. I know it was voluntary. It wasn't required. I don't know what the legal hurdles are in terms of making that required information, but we need to have that data in order to see who benefited and where we go moving forward.

Data drives decision-making. And I think that would help Congress do what they need to do to target the program better. So we are all about data disclosure and transparency, particularly when it comes to taxpayer dollars. So we fully support anything that we can do to get more data so that you all can make your decisions in a much more informed way.

Mr. GARCIA OF ILLINOIS. Any suggestions about what Congress can do to help produce that data on the part of SBA?

Ms. KERRIGAN. I think the more that you ask, hopefully, the more that you will get. In terms of any demographic data or anything relative to race, there are things that were voluntary, right?

So, I think it would have to be an Act of Congress that makes that mandatory, as part of legislation.

Again, that is something we would have to look into it but I think a lot of it was voluntary and not mandatory and, that being the case, you just do not have the data that you need at this point. So, it probably would have to be some type of Act of Congress to make that happen.

Mr. GARCIA OF ILLINOIS. Okay. Thank you, Madam Chairwoman. I yield back.

Chairwoman BEATTY. Thank you.

The Chair now recognizes the gentlewoman from the 45th District of California, Ms. Porter, for 5 minutes.

Ms. PORTER. Thank you so much, Madam Chairwoman.

As the only single mom in Congress with young kids, and as a person who is working from home as much as I can, I know that single moms are being asked to do the impossible right now. This isn't new, but the pandemic is certainly making it so much worse.

Ms. Kerrigan, pre-COVID-19, what were the margins like for a normal small business, say a bakery owned and managed by a single mom who has two or three employees? What were those profit margins like?

Ms. KERRIGAN. Thin, thin, thin. I mean, really on the day-to-day, very thin.

Ms. PORTER. That was back in normal times.

Ms. KERRIGAN. That is right.

Ms. PORTER. What would happen if this bakery saw the price of flour double?

Ms. KERRIGAN. It would be an enormous impact, not only in terms of prices going up but demand going down.

Ms. PORTER. What if the price of eggs were to triple? What would that do to the profit margins?

Ms. KERRIGAN. It would probably wipe many of them out. Sugar, any of the inputs that you are using in that bakery, you are really carefully monitoring those expenses, right?

Ms. PORTER. What about the cost of child care quadrupling, the child care that allows that bakery owner to come to work every day and bake? What does that do to the business?

Ms. KERRIGAN. It would probably kill the business because it would be impossible to do that, very, very difficult.

Ms. PORTER. And that is what is happening, by the way, when people have to go from paying, for example, for after-school child care to full-time child care. It causes one of the inputs of your business, which is the ability of the owner/operator or the employees to go to work, to essentially quadruple.

And what we are seeing right now is all of that is happening at the same time that the number of customers is dropping, and that is going to push these businesses into the red.

Do you think that this child care crisis is a crisis for our small business community?

Ms. KERRIGAN. Oh, absolutely, and the Small Business Roundtable on Facebook did a survey, The State of Small Business Report, and that was one of the biggest pressure points that they found was just sort of the enormous pressure that was being put on entrepreneurs, particularly women entrepreneurs, to juggle both. So absolutely, it is a crisis for working women and entrepreneurs, both.

Ms. PORTER. And working parents, but it falls particularly hard on those businesses with the thinnest margins which often are women-owned and minority-owned companies who have micro businesses and those very thin margins, just like they can't absorb a price shock of 4 times the cost of inputs like flour, they can't afford what is in essence a 4 times price shock in the cost of their own ability to contribute to that business, to put in the sweat equity by having to find child care.

Do women business owners have easy access to capital to help them get through these tough times? Are you aware of anyone who makes loans to women business owners or to working parent business owners so that they can pay for the cost of child care?

Ms. KERRIGAN. No. The women entrepreneurs and business owners who have been able to get a PPP loan, have, done so because of the relationship they may have had established with the bank, and so they had a commercial relationship which was very few, and then through Fintech lenders, but if you are asking specifically and directly for child care, then no.

Ms. PORTER. So there is no assistance, no program. Can you use PPP funds to pay for child care for your employees, to provide that, for example, to them?

Ms. KERRIGAN. No, it is not a forgivable expense.

Ms. PORTER. Do you think the economy can fully recover if working parents, and particularly single parents, are trying to be full-time parents, assisting with emergency distance learning and work full time in their businesses to deal with all of the adjustments and struggles and changes that coronavirus survives? Can we have a full economic recovery in that kind of environment?

Ms. KERRIGAN. It is very difficult. It is very difficult to juggle, too. Not everything can be done out of the home in terms of a business. But even if you are in the home, working in the business, you have a home-based business and you have also the responsibility of educating your kids, if they are not going back to school, it would be extremely, extremely difficult, absolutely.

No, it would be very difficult to get back to full economic recovery, back to "normal" with that scenario.

Ms. PORTER. So would you agree that we ought to be thinking about supports for child care and helping businesses deal with these and would employees deal with this cost of child care as part of how we think about economic recovery, they are hand-in-glove issues?

Ms. KERRIGAN. I do. Just as we looked at PPP in terms of forgivable loans for, say, both payroll and healthcare expenses, yes, I think we need to have some very creative solutions because you are right. We cannot get back to full economic recovery without having that addressed. I agree with you, and I look forward to maybe working with you to see what we can do to make that happen.

Ms. PORTER. Thank you so much.

And I yield back.

Chairwoman BEATTY. Thank you so much.

I would like to thank all of the Members for their questions.

And certainly, I would like to thank all of the witnesses for their testimony—Mr. Busby, Ms. Castillo, Ms. Kerrigan, and Ms. Ross.

Without objection, I am submitting the following statements for the record: the Asian-American/Pacific Islander Chamber of Commerce and Entrepreneurship; Clever Girl Finance; Funds for Humanity; Include Ventures; and the National Bankers Association.

Without objection, it is so ordered.

The Chair notes that some Members may have additional questions for this panel, which they may wish to submit in writing. Without objection, the hearing record will remain open for 5 legislative days for Members to submit written questions to these witnesses and to place their responses in the record. Also, without objection, Members will have 5 legislative days to submit extraneous materials to the Chair for inclusion in the record.

This hearing is now adjourned.

[Whereupon, at 2:10 p.m., the hearing was adjourned.]



# **A P P E N D I X**

July 9, 2020



**Testimony of**

Ron Busby

**On behalf of the U.S. Black Chambers, Inc.**

to the

U.S. House of Representatives

Committee on Financial Services:  
Subcommittee on Diversity and Inclusion

*Access Denied: Challenges for Women- and  
Minority-Owned Businesses Accessing Capital  
and Financial Services*

July 9, 2020

Testimony of Ron Busby  
 President & CEO  
 U.S. Black Chambers, Inc.

Thank you, Chairwoman Beatty, Ranking Member Wagner, and distinguished Members of the Subcommittee, for the opportunity to share this testimony with you. My name is Ron Busby, and I serve as the President and CEO of the U.S. Black Chambers, Incorporated.

The U.S. Black Chambers (USBC), for the past decade, has been providing committed, visionary leadership and advocacy in the realization of economic empowerment. Through the creation of resources and initiatives, we support African American Chambers of Commerce and business organizations in their work of developing and growing Black enterprises.

As the leading voice of Black business owners in the nation, USBC stands on five pillars of service to foster entrepreneurial growth and the wealth creation within the Black community, which includes: 1) Advocacy, the USBC fights for legislation that promotes small business growth, particularly policies that address the challenges of Black business owners; 2) Access to Capital, the USBC works with financial institutions, particularly Black-owned institutions, to create avenues by which Black businesses can gain greater access to credit, capital and other financial instruments; 3) Contracting, the USBC educates members on contract opportunities, helping them increase their capacity to vie for large scale contracts, and offering resources and information that enhance Black owners' ability to compete; 4) Entrepreneur Training, the USBC provides quality educational opportunities and professional development resources that help our members manage and grow successful businesses; and 5) Chamber Development, the USBC leverages our role as a national organization, provide technical assistance and leadership training to member chambers, assist with the establishment of new Black chambers, and facilitate the sharing of best practices and industry data among our members.

Minority and Women-owned business enterprises (MWBEs) are lucrative to the nation's vast economy. These firms collectively provide upwards of \$1 trillion in annual receipts and contribute nearly nine million jobs to the country's labor market. MWBEs have been cited as the fastest growing sectors of business enterprise, in result, creating 40 percent of America's net new jobs in recent decades.<sup>1</sup> Despite this extraordinary impact, People of Color and Women historically face systemic barriers to entrepreneur resources and access to capital, to name a few.

Today's virtual hearing regarding women and minority-owned businesses challenges in accessing capital and financial services is judicious and opportune. While the onslaught of the Coronavirus pandemic has amplified structural impediments plaguing underserved communities, Black Americans, in particular, are experiencing a disproportionate share of the disruption—from morbidity and mortality to unemployment and bankruptcy.<sup>2</sup>

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<sup>1</sup> [https://www.brookings.edu/wp-content/uploads/2016/07/minority\\_women\\_entrepreneurs\\_building\\_skills\\_barr.pdf](https://www.brookings.edu/wp-content/uploads/2016/07/minority_women_entrepreneurs_building_skills_barr.pdf)  
<sup>2</sup> <https://www.mckinsey.com/industries/public-sector/our-insights/covid-19-investing-in-black-lives-and-livelihoods>

Testimony of Ron Busby  
President & CEO  
U.S. Black Chambers, Inc.

Amid the ongoing economic downturn, the most prevalent disparities exist within the small business ecosystem. Case in point, while the nation lost 3.3 million small businesses in the first and second quarter of the year, the number of Black enterprises declined 41 percent, Latinx firms dropped 32 percent, Asian businesses dropped by 26 percent, and Women-owned businesses declined a quarter.<sup>3</sup> In addition to the disproportionate decline in firms, Black Americans suffered the brunt of the labor-loss sparked by COVID-19. The Black unemployment rate peaked nearly 17 percent last month.<sup>4</sup>

Despite MWBEs being amongst the fastest-growing markets, these emerging enterprises faced significant economic derailment and revenue loss prior to the pandemic, in part, because MWBEs represent high-impact industries—such as accommodation and food services, personal care and laundry services, healthcare and social assistance, and retail sectors—and, in part, because they were already in a weaker financial position.<sup>5</sup> The advent of the pandemic exacerbated the challenges.

The federal government's response to mitigate the pandemic's economic damage within the small business ecosystem has been critically supportive. To date, the *Coronavirus Aid, Relief, and Economic Security (CARES) Act* and its subsequent relief legislation have deployed over \$520 billion to fraught small businesses through the cornerstone Paycheck Protection Program (PPP). In addition, the CARES Act also delivered nearly \$140 billion to businesses through the Small Business Administration's (SBA's) Economic Injury Disaster Loan (EIDL) Program.<sup>6</sup> We applaud this Committee and lawmakers from both Chambers as the Congressional intent on Page 30 of the CARES Act rightfully prioritized underserved and rural markets.

Notwithstanding the legislative feat, the nation's most underserved populations—MWBEs—went largely overlooked within the federal relief programs. In early May, the SBA's Inspector General released a report on the agency's implementation of the PPP requirements. The report found that the Trump administration was unsuccessful at prioritizing underserved and rural markets.<sup>7</sup> Since then, the Department of Treasury and the SBA have worked to correct the structural barriers among program lenders and prioritize such borrowers.

Furthermore, we commend this Chamber's passage of the *Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act* as it resolves many of the structural barriers that minority and women market currently face amid the pandemic. In particular, the legislation

<sup>3</sup>

<https://poseidon01.ssrn.com/delivery.php?ID=870067088114085014024093095068067108026045018002021023103033035031109045073086087027071016010033065045025105121088019013093082083070122009108111097073064104021010070092068003120022&EXT=pdf>

<sup>4</sup> [https://www.bls.gov/web/empsit/cpsee\\_e16.htm](https://www.bls.gov/web/empsit/cpsee_e16.htm)

<sup>5</sup> <https://institute.jpmorganchase.com/institute/research/small-business/small-business-financial-outcomes-during-the-onset-of-covid-19>

<sup>6</sup> <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options>

<sup>7</sup> [https://www.sba.gov/sites/default/files/2020-05/SBA\\_OIG\\_Report\\_20-14\\_508.pdf](https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf)

Testimony of Ron Busby  
 President & CEO  
 U.S. Black Chambers, Inc.

extends the PPP loan application period to December 31, 2020, provides a set-aside for smaller firms with fewer than ten employees, Community Development Financial Institutions (CDFIs), and Minority Development Institutions (MDIs), establishes technical assistance grants for small community financial institutions and small depository institutions and provides federal guarantees for COVID-19 loans, among others.<sup>8</sup> We urge legislators in the Senate to include the stated proposals into the forthcoming economic relief bill.

Following the passage of the HEROES Act, Treasury Secretary, Steve Mnuchin announced that the federal government would need a far more targeted approach in deploying future small business relief during a June 10 Senate Small Business hearing. By and large, we agree with the Secretary's sentiments. We also believe that Congress must multiply their initial efforts to safeguard MWBEs in the days and weeks ahead to alleviate further damage and save a generation of Black and Women-owned enterprises.

As the number of Coronavirus cases continue to grow by the thousands, the likelihood of an economic rebound, on the part of Black businesses is highly improbable. If we fail to pass policies within the next economic relief package that is tailored to the needs of these underserved entrepreneurs, foreseen challenges will continue to burden the shrinking number of businesses in the years ahead.

To this end, the U.S. Black Chambers, Inc. believes legislators wishing to protect and advance the Minority and Women business community should embrace equitable and longstanding policy solutions. Among others, these policies must include:

#### **Prioritize Federal Contracts**

The SBA's 8(a) Business Development Program has been an essential tool to incubate partnerships between minority-owned businesses and Government entities. While this program is widely successful, the program's integrity must be protected to ensure that it continues to benefit Black-owned businesses. We urge lawmakers to reform the program and ensure that the most vulnerable and impacted entities—Black firms, receive prioritized focus between 2021 and 2026.

#### **Reauthorize the Prompt Payment Initiative**

The "QuickPay" Initiative, launched under the Obama Administration, required all federal agencies to expedite payments to small business contractors with the goal of paying within 15 days. This cut in half the time it took for small contractors working with the federal government to get paid. This expediency is important to small businesses, as delay in payments can cause uncertainty, closure, or the need to take out a short-term bridge loan to keep the doors open while awaiting payment. It is arguably even more important during this present crisis, given the

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<sup>8</sup> [https://smallbusiness.house.gov/uploadedfiles/heroes\\_act\\_section\\_summary.pdf](https://smallbusiness.house.gov/uploadedfiles/heroes_act_section_summary.pdf)

Testimony of Ron Busby  
President & CEO  
U.S. Black Chambers, Inc.

disproportionate impact that underserved markets are facing. Legislators must ensure that the QuickPay measure is included in all forthcoming FY2021 appropriation packages.

**Reconsider the OCC's Community Reinvestment Act Proposal**

The implementation of the Office of the Comptroller's CRA modernized rules would be nearly devastating for businesses within low and moderate communities. The proposal has been widely criticized for its negative impacts on communities of color. USBC stands with its allies to call on Congress to ensure that community benefit and encouragement of black entrepreneurship remain key elements of CRA.

**Increase Access to Capital**

As mentioned, MWBE's grapple with systemic barriers to financing their ventures, which prevents investment in their communities. Lawmakers must prioritize solutions that would provide the most disadvantaged markets with additional access to Minority-specific SBA loans, training and education programs, and tax incentives for investing in minority startups, among others.

**Increase Resources for the MBDA at the Department of Commerce**

For the past four decades, the Minority Business Development Administration (MBDA) at the Department of Commerce has supported Minority Business Enterprises (MBEs) in overlooked and underserved communities across the nation. Since its creation, the agency has assisted in stimulating the growth of Black-owned businesses and entrepreneurs nationwide. We urge lawmakers to resolve these challenges by passing legislation that will codify the MBDA into law, increase the agency's appropriations to help MBE's in post-pandemic recovery, and create entrepreneurial pipelines at historically Black colleges and universities (HBCUs) and other minority-serving institutions (MSIs), as well as expanding the reach of the agency by establishing regional entities nationwide.

These critical proposals, among many others, are featured in our 2020 BLACKprint agenda. In this plan, we provide concrete solutions for policymakers to safeguard the Black business community in the weeks, months, and years ahead. Please visit our website at [www.usblackchambers.org](http://www.usblackchambers.org) to learn more about this bipartisan agenda.

**Conclusion**

I appreciate this Committee's attention to this issue and efforts on behalf of the nation's nearly 3 million Black-owned businesses. Despite the current state of MWBEs and the challenges that persist, swift Congressional action will halt the economic downturn and set these markets on the road to full recovery. USBC is thankful for the opportunity to provide testimony, and we look forward to answering any questions.

Testimony of Ron Busby  
President & CEO  
U.S. Black Chambers, Inc.



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July 8, 2020

The Honorable Joyce Beatty  
Chairwoman  
House Committee on Financial Services  
Subcommittee on Diversity and Inclusion  
2303 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Ann Wagner  
Ranking Member  
House Committee on Financial Services  
Subcommittee on Diversity and Inclusion  
2350 Rayburn Office Building  
Washington, D.C. 20515

Dear Chairwoman Beatty and Ranking Member Wagner:

Thank you for the opportunity to address this committee on important policy matters facing Women and Minority-owned businesses in my role as President & CEO of SDI International, a company which I founded more than 25 years ago as a Latina immigrant, and as Chairwoman of the Board of Directors for the United States Hispanic Chamber of Commerce (USHCC). On behalf of myself and my board colleagues we would like to thank you for the opportunity to submit oral and written testimony to the U.S. House Committee on Financial Services Subcommittee on Diversity and Inclusion during the scheduled hearing on Thursday July 9, 2020, "*Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic.*"

The USHCC actively promotes the economic growth, development and interests of more than 4.7 million Hispanic-owned businesses that, combined, contribute over \$800 billion to the American economy every year. We also serve as a platform for our nationwide network of over 250 local Hispanic chambers of commerce. With the growing diversity in communities across the nation, the face of business ownership in America is changing, with minority-owned firms driving the growth in new business formation. In fact, Latinos open businesses at three times the rate of the national average and Latinas open businesses at six times the rate.

Minority Business Enterprises (MBEs) have been succeeding despite the many historical barriers minority entrepreneurs face as they work to start and grow a business. MBEs are two to three times more likely to be denied loans, they report annual gross receipts that are only one-third of the annual receipts reported by non-minority owned companies and they are half as likely to have at least one employee on payroll.

When we fail to invest in minority-owned businesses, our economy suffers. In fact, according to the Kauffman Foundation, if minorities were able to start and own businesses at the same rate as non-minorities, there would be 9.5 million more jobs and, according to Stanford University, \$1.3 trillion added to the American economy. Now is the time to invest in America's minority entrepreneurs as they face grave economic challenges due to the overwhelming impact of the COVID-19 pandemic. Collectively, we have actively been advocating for policies that will create systemic change and positive economic outcomes for MBEs as they strive to recover from this unprecedented economic turndown in America.

Attached for the congressional record of this hearing, please find the following letters detailing the recent advocacy conducted by myself and the USHCC over the past four months leading up to this hearing on behalf of women and minority-owned businesses:

- **April 8, 2020:** United States Hispanic Chamber of Commerce Requests Provisions on Fourth COVID-19 Economic Relief Package to Ensure Diversity, Equity, and Inclusion to Support Hispanic and Minority-Owned Small Businesses in America.



- **April 15, 2020:** Urge for the inclusion of 501(c)(6) organizations among the list of entities that qualify for assistance under the Paycheck Protection Program (PPP).
- **April 20, 2020:** Additional Small Business Funding and 501(c)(6) Inclusion in Next Round of COVID-19 Relief.
- **May 8, 2020:** U.S. Hispanic Chamber of Commerce Policy Requests to Ensure Diversity, Equity, and Inclusion of Hispanic and Minority-Owned Small Businesses in Fourth COVID-19 Economic Relief Package.
- **May 15, 2020:** Broad set of policy recommendations and concerns as Congress considers additional legislation as it relates to economic relief during the COVID-19 crisis.
- **June 1, 2020:** Recommendations for the forgiveness provisions related to loans made through the Paycheck Protection Program (PPP) for the economic benefit of Minority-owned small businesses.
- **June 22, 2020:** Request that the Federal Reserve utilizes its full powers to support, with a debt and equity facility, a vital sector of the economy that represents \$1.4 trillion in gross receipts and 7.2 million in jobs.
- **July 1, 2020:** Endorsement of the Minority Business Resiliency Act of 2020.

In my role as President & CEO of SDI International, and as Chairwoman of the USHCC Board of Directors, we will stay committed to advocating for the U.S. Congress to enact legislation that will create positive economic impact for MBEs across America. We will continue to propose necessary solutions for the equitable inclusion of women and minorities into future economic stimulus legislation. We ask that our respective constituents be considered when our leaders in Congress seek to build solutions for COVID-19 economic relief, that our advocacy leaders of diverse backgrounds be included at the decision-making table, and that together we pledge forward to aid the prevalent needs of MBEs and their necessary economic recovery during and after the COVID-19 pandemic.

If you have any questions or require additional information, please do not hesitate to contact me via email at [castilloc@sdintl.com](mailto:castilloc@sdintl.com). Thank you in advance for your consideration in this matter, we look forward to your positive response and collaboration on these important policy priorities and presentation of my oral testimony.

Respectfully,

Carmen Castillo  
President and CEO, SDI International Corp.  
Chairwoman, Board of Directors, United States Hispanic Chamber of Commerce

CC: Hon. Nancy Pelosi, Speaker of the House of Representatives  
Hon. Kevin McCarthy, Minority Leader of the House of Representatives  
Hon. Maxine Waters, Chairwoman, House Committee on Financial Services  
Hon. Nydia M. Velázquez, Chairwoman, House Committee on Small Business  
Hon. Joaquin Castro, Chairman, Congressional Hispanic Caucus  
All Members of the U.S. House Committee on Financial Services Subcommittee on Diversity and Inclusion  
Hon. Marco Rubio, Chairman, Senate Committee on Small Business and Entrepreneurship  
Hon. Ben Cardin, Ranking Member, Senate Committee on Small Business and Entrepreneurship



April 8, 2020

The Honorable Maxine Waters  
Chairwoman  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Patrick McHenry  
Ranking Member  
House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, D.C. 20515

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The Honorable Joyce Beatty  
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2129 Rayburn House Office Building  
Washington, D.C. 20515

The Honorable Ann Wagner  
Ranking Member  
Subcommittee on Diversity & Inclusion  
2129 Rayburn Office Building  
Washington, D.C. 20515

**RE: United States Hispanic Chamber of Commerce Requests Provisions on Fourth COVID-19 Economic Relief Package to Ensure Diversity, Equity, and Inclusion to Support Hispanic and Minority-Owned Small Businesses in America**

Dear Chairwoman Waters, Chairwoman Beatty, Ranking Member McHenry, and Ranking Member Wagner:

On behalf of the United States Hispanic Chamber of Commerce (USHCC), our Board of Directors, and the Hispanic-owned business community, we are writing to express our recommendations as your committee considers the next phase of stimulus funding to keep the American economy on track during and after the COVID-19 crisis.

The USHCC actively promotes the economic growth, development and interests of more than 4.8 million Hispanic-owned businesses that aggregately contribute over \$800 billion to the American economy every year. We also serve as a platform for our nationwide network of over 250 local Hispanic chambers of commerce. Given the growing diversity in communities across the nation, the face of business ownership in America is changing, with minority-owned firms driving growth in new business formation. In fact, Latinos open businesses at three times the rate of the national average and Latinas open businesses at six times the rate.

Minority Business Enterprises (MBEs) have been succeeding in spite of the many historical barriers minority entrepreneurs face as they work to start and grow a business. MBEs are two to three times more likely to be denied business loans, have one third of the annual gross revenues when compared to non-minority owned companies, and are half as likely to have at least one employee on payroll. When we fail to invest in minority-owned firms, our economy suffers.

In this spirit, the USHCC asks for your consideration of the following proposed legislative recommendations as the U.S. House Committee on Financial Services and its Subcommittee on Diversity and Inclusion consider the next stimulus package. Our advocacy is focused on three overarching principles: 1) providing immediate liquidity for Hispanic small and medium-sized businesses, 2) ensuring that Hispanic and minority-owned small businesses are included in procurement opportunities with the federal government and in the economic stimulus funding, and 3) the commitment to continue to work as a resource with Congress in helping write future legislation and shape policy that aims to rescue the American economy.



The following legislative priorities have the ability to positively impact the economic trajectory of Hispanic and minority-owned small businesses in our country:

#### **Federal Government Legislative Impact**

**Establish a Minority Equity Fund of \$50 billion to have the ability to fund Minority Business Enterprises (MBEs):** Refer to the [Economic Stabilization Act of 2008](#) for language regarding MBE inclusion, specifically Section 107 contracting procedures to include the following legislative determinations: (a) STREAMLINED PROCESS.—For purposes of this Act, the Secretary may waive specific provisions of the Federal Acquisition Regulation upon a determination that urgent and compelling circumstances make compliance with such provisions contrary to the public interest. Any such determination, and the justification for such determination, shall be submitted to the Committees on Oversight and Government Reform and Financial Services of the House of Representatives and the Committees on Homeland Security and Governmental Affairs and Banking, Housing, and Urban Affairs of the Senate within seven days. Additional contracting requirements should include, any solicitation or contracts where the Secretary has, pursuant to subsections for minorities, deadline, or waiver authority. Waive any provision of the Federal Acquisition Regulation pertaining to minority contracting, the Secretary shall develop and implement standards and procedures to ensure, to the maximum extent practicable, the inclusion and utilization of minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)) minority and women-owned businesses (as such terms are defined in section 21A(r)(4) of the Federal Home Loan Bank Act (12 U.S.C. 1441a(r)(4)), in that solicitation or contract, including contracts to asset managers, servicers, property managers, and other service providers or expert consultants. Add the eligibility of FDIC insured financial institutions notwithstanding subsections (a) and (b), the Corporation, (1) shall be eligible for, and shall be considered in, the selection of asset managers for residential mortgage loans and residential mortgage-backed securities; and (2) shall be reimbursed by the Secretary for any services provided.

**Resources for the Minority Business Development Agency (MBDA):** Pass as part of this package the Minority Business Development Act of 2020, which would establish the Minority Business Development Agency (MBDA) in statute. Add an additional \$25 million of stimulus money to this agency so that necessary training, resources, and technical assistance can be deployed to businesses across our country through grants for entities who provide these services. MBDA is the only agency of its kind that promotes and administers programs in the public and private sectors to assist the development of MBEs.

**Resource Partner Grants:** Set forth an appropriation to expand Section 1103 (c) of the existing CARES Act to fund grant programs for resource and technical assistance support in the areas of business revitalization, new business technologies, expanded customer service, supplier diversity trainings, supplier diversity matchmaking, and financial services and lending to national organizations with business memberships. These organizations should include minority chambers of commerce, minority depository institutions (MDIs), community development financial institutions (CDFIs), and not exclude other nonprofit groups that have the ability to provide technical assistance to distressed businesses during and after COVID-19.



**Resources and Services in Languages other than English:** Expand Section 1111 of the existing CARES Act to provide minority communities with the necessary resources in their individual native languages. This section should not discriminate against communities of diverse racial ethnicities and should be inclusive of all minority groups in America. All resources should be adequately translated and distributed in all available channels to include the world wide web, printed materials, and in-person translation for any presentations conducted by a governmental entity when providing business assistance to affected businesses. This measure should also include services for the legally blind, visually impaired, and deaf communities.

**Capital Financing for Hispanic-Serving Institution (HSIs):** Expand Section 3512 of the existing CARES Act to include capital financing for Hispanic-Serving Institutions (HSIs). These educational centers create the pipeline of future business owners, entrepreneurs, and executives that will have the ability to actively contribute to the rebuilding and new evolving vitality of the American economy post COVID-19. HSIs should be considered for grant funding in Low-Minority Income Communities (LMIs) to provide necessary technical assistance through existing entrepreneurship, leadership, and business educational centers.

#### Corporate America Legislative Impact

**Minority Business Enterprises as part of the U.S. Supply Chain:** Require the U.S. Supply Chain, its suppliers, and contractors to include Minority Business Enterprises in the production, operation, and distribution of goods needed to combat disasters and future pandemics. Require the federal government to unbundle contracts from purchasing consortiums for goods and services and identify MBEs who currently manufacture or distribute these goods, to become an integrated part of Fortune 500 supply chains who maintain or seek federal contracts.

#### Non-Profit Legislative Impact

**Stimulus Funding for 501(c)(6) organizations for non-profit economic relief:** Propose an amendment to the CARES Act or consider the language under Section 1102 (a) definitions, the term 'nonprofit organization' means an organization that is described in section 501(c)(3) or 501(c)6 of the Internal Revenue Code of 1986. These organizations should be included with parameters around their activity, mission, or number of employees in the entity.

**Lending for minority and community banks:** Addressing the capital needs and lending abilities of MDIs ([minority depository institutions](#)), Small Business Investment Companies (SBICs), community banks, smaller regional banks, and Community Development Financial Institutions (CDFIs). These banks primarily operate and serve low and minority income communities who have some of the most vulnerable businesses or most established minority business. Legislative action is needed so that these financial institutions can serve their customers, including businesses who may not have existing relationships with traditional financial institutions or lenders, in order to get them the necessary operating capital.

#### Small Business Legislative Impact

**2019 Payroll Taxes:** Forgive all 2019 Payroll Taxes for America's 30 million small businesses, allow the Internal Revenue Service (IRS) to wave these taxes to keep more Americans employed by infusing more capital into the economy and creating a substantial



operational impact for small businesses. This designation should be allowed for small businesses, per the established guidelines of the Small Business Administration (SBA).

#### **Legislative Impact for Individuals**

**Independent Contractors and 1099 Employees:** Ensure that 1099 employees can access funding to continue working, allowing their clients to maintain them on payroll, and ease the restrictions of the Paycheck Protection Program (PPP) so that employers can use 1099 employees as part of their payroll to access the PPP. Extend the PPP with more stimulus funding to allow for more businesses to apply and expand the number financial institutions who hold the PPP's lending power. Enact legislation that requires specific disaster business loans and other relief funds for the self-employed and independent contractors. Furthermore, this segment could be immediately boosted if the IRS waves the income taxes for the first \$10,000 of self-employed or contracted dollars these Americans gain.

**Undocumented Business Owners and Workers:** Set forth provisions to allow undocumented business owners and undocumented workers who can actively prove that they have paid the Internal Revenue Service (IRS) taxes in 2018 to take advantage of the existing CARES Act. These entrepreneurs and employees thereof, are active contributors to the American economy and should have the same access to rebuild their businesses and families to continue those economic contributions. Furthermore, Deferred Action for Childhood Arrivals (DACA) recipients who are in this country by no fault of their own should also be guaranteed access to these provisions regardless of the immigration status of others on their tax return or household.

If you have any questions or require additional information, please do not hesitate to contact C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs, [LCavazos@ushcc.com](mailto:LCavazos@ushcc.com) or via phone at 956-844-9628. Thank you in advance for your consideration in this matter, we look forward to your positive response and collaboration on these important policy priorities.

Respectfully,

Carmen Castillo  
Chairwoman, Board of Directors  
United States Hispanic Chamber of  
Commerce

Ramiro A. Cavazos  
President & CEO  
United States Hispanic Chamber of  
Commerce

**CC:** Hon. Nancy Pelosi, Speaker of the House of Representatives  
Hon. Kevin McCarthy, Minority Leader of the House of Representatives  
Hon. Nydia M. Velázquez, Chairwoman, House Committee on Small Business  
Hon. Steve Chabot, Ranking Member, House Committee on Small Business  
Hon. Joaquin Castro, Chairman, Congressional Hispanic Caucus  
Hon. Gregory W. Meeks, Chairman, House Financial Services Subcommittee on  
Consumer Protection and Financial Institutions  
Hon. Anthony Gonzalez, Vice Ranking Member, House Financial Services  
Subcommittee on Diversity & Inclusion

April 15, 2020

The Honorable Nancy Pelosi  
The Speaker of the House  
United States Capitol  
Washington, D.C. 20515

The Honorable Mitch McConnell  
Majority Leader  
United States Senate  
Washington, DC 20510

The Honorable Nydia Velázquez  
Chair  
House Committee on Small Business  
2361 Rayburn House Office Building  
Washington, DC 20515

The Honorable Marco Rubio  
Chair  
Senate Small Business and Entrepreneurship  
284 Russell Senate Office Building  
Washington, DC 20510

Speaker Pelosi, Majority Leader McConnell, Chair Velazquez and Chair Rubio:

First, we write to thank you for the historic passage of the Coronavirus, Aid, Relief and Economic Security Act. The undersigned organizations represent a broad coalition of industry trade associations that are working diligently with individuals desperately in need of the aid offered by the stimulus program. We write to you to urge that you include 501-C-6 organizations among the list of entities that qualify for assistance under the Paycheck Protection Program.

As the country gears up for what is bound to be one of the most difficult years in U.S. history, small businesses, independent contractors and the self-employed are seeking out help more than ever. Under unprecedented circumstances, these individuals are heavily leaning on trade associations to find training, guidance and peer-to-peer support as they navigate closed businesses, shelter-in-place restrictions, changing work parameters, and difficult budgetary decisions.

During the 2008 Great Recession, trade associations were instrumental in helping struggling businesses reinvent themselves to thrive despite changing economic landscapes and to help them rebound. Today, trade associations are playing that same role.

It is important to underscore that trade associations, like many struggling businesses, are employers. These nonprofit member-based organizations are facing similar difficult budgetary decisions, including possible layoffs. At a time when small businesses are relying more and more on these organizations, many small trade associations are in need of the same support small businesses are receiving to keep people on payroll and to keep overhead costs current.

The Paycheck Protection Program extended loans and loan forgiveness programs to businesses that employ fewer than 500 employees. The program also extended aid to 501c(3) non-profits because they too were facing difficult reduction of income streams while offering much needed public service during these difficult times. However, trade associations categorized as 501c(6)s were not included in the Paycheck Protection Program.

**The undersigned organizations urge Congress to include 501c(6) organizations in the next Coronavirus legislation in order to access relief through the Payroll Protection Program.**

Thank you for your consideration of this very important matter.

Sincerely,

American Land Title Association

Asian Real Estate Association of America

Latino Hotel Association

National Association for Equal Opportunity In Higher Education

National Association of Black Hotel Owners & Operators and Developers

National Association of Hispanic Real Estate Professionals

National Association of Local Housing Finance Agencies

National Association of Minority Automobile Dealers

National Association of Minority Bankers of America

National Association of Real Estate Brokers

National Association of Realtors

National Association of Women in Real Estate Business

National Business League, Inc.

National Housing Conference

National Leased Housing Association

United States Hispanic Chamber of Commerce



April 20, 2020

The Honorable Nancy Pelosi, Speaker  
United States House of Representatives  
United States Capitol  
Washington, D.C. 20515

The Honorable Kevin McCarthy, Minority Leader  
United States House of Representatives  
United States Capitol  
Washington, D.C. 20515

The Honorable Mitch McConnell, Majority Leader  
United States Senate  
United States Capitol  
Washington, D.C. 20510

The Honorable Charles Schumer, Minority Leader  
United States Senate  
United States Capitol  
Washington, D.C. 20510

**RE: Additional Small Business Funding and 501(c)6 Inclusion in Next Round of COVID-19 Relief**

Dear Speaker Pelosi and Leaders McConnell, McCarthy and Schumer:

We, the undersigned national organizations and our collective state and local affiliates are the top advocates for America's diverse entrepreneurs and workforce. Many of the organizations represented herein are members of the National Business Inclusion Consortium (NBIC). Collectively, the NBIC organizations represent over *\$9 trillion* in economic impact, as well as tens of thousands of tax-paying, industry-innovating jobs. Collectively, our organizations encourage parity in cross-segment diversity and inclusion initiatives, work to identify areas of collaboration among diverse businesses, and advocates for the advancement of policies that support the growth of diverse-owned companies in both the public and private sectors: including support for our businesses in times of crisis.

We are grateful for recent relief measures taken to protect our communities' small businesses and nonprofits impacted by the coronavirus (COVID-19) epidemic. However, many small and diverse owned businesses, already facing challenges due to marginalization and historic under investment, were not able to take advantage of the first round. We strongly urge you to make more money available and to prioritize America's diverse economy.

Our organizations and our affiliate chamber partners also urge you to include 501(c)6 business organizations in any upcoming federal aid packages or supplemental appropriations measures, as many have been and will be harmed economically by COVID-19, just as our 501(c)3 peers continue to be. Our specific organizations are primarily 501(c)(6) organizations that employ thousands of team members across the country and provide work for countless contractors throughout the year.

While advocacy for small business is but one facet of our operation, organizations like ours are essential partners to both government and businesses of all sizes. We are the trusted community partners of the small business owners and nonprofits who need this relief most, and who trust our ability to offer them invaluable resources to stay afloat and keep their teams employed. For relief



efforts to be successful, we must ensure all community-facing business organizations, including the 501(c)6s represented here who have the most intimate relationships with job creating small businesses, receive the resources they need to succeed as well.

Our organizations play a key role in connecting small diverse owned companies to contract and RFP opportunities that are the lifeblood of any small business and its ability to be successful.

Our organizations play a key role in educating small businesses on everything from financial literacy to writing a capabilities statement to leadership development and building an inclusive team.

Our organizations are called upon by the collective membership to help decipher economic development programs, including those developed specifically for COVID-19. Simply put, we are the key resource in helping businesses thrive, become a bigger part of the tax base and employ more people.

We would not object to stipulations that relief funds received by a 501(c)6 organization, may not be used for any lobbying expenses, employee size or industry representation as stipulated in the current amendment being discussed. We recognize the importance of accountability and transparency during this crisis.

We thank you for your leadership and standby to assist you with information to help you ensure that another round of relief funds is allocated for small businesses and that all tax-exempt entities be included in any temporary aid designed to stem the economic fallout resulting from COVID-19.

Sincerely,

Justin Nelson  
Co-Founder & President  
National LGBT Chamber of Commerce

Ron Busby  
President & CEO  
US Black Chambers Inc.

Candace Waterman  
President & CEO  
Women Impacting Public Policy

Ramiro Cavazos  
President & CEO  
US Hispanic Chamber of Commerce

Chiling Tsao  
President & CEO  
Asian/Pacific Islander American Chamber  
of Commerce and Entrepreneurship



**In partnership with:**

ACE NextGen  
 African American Business Leaders Council of Greater Lehigh Valley Chamber of Commerce  
 Albuquerque Hispano Chamber of Commerce  
 American Vietnamese Chamber of Commerce Las Vegas  
 Arizona Hispanic Chamber of Commerce  
 Asian American Business Assistance Center  
 Asian American Executive Network  
 Asian Business Association  
 Asian Chamber of Commerce  
 Asian Chamber of Texas (ACT) previously known as Greater Dallas Asian American Chamber of Commerce  
 Asian Pacific American Chamber of Commerce  
 Austin LGBT Chamber of Commerce  
 Austin Young Chamber  
 Balch Springs Chamber  
 Brazoria County Hispanic Chamber of Commerce  
 Brooklyn NY Hispanic Chamber of Commerce  
 Cal Asian Chamber of Commerce  
 Charlotte LGBT Chamber of Commerce  
 Civitas Regional Chamber of Commerce  
 Colorado LGBTQ Chamber of Commerce  
 Connecticut Gay and Lesbian Chamber (CTGLC)  
 Desert Business Association  
 Detroit Regional LGBT Chamber of Commerce  
 Diversity Chamber of Central Ohio  
 Equality Chamber of Commerce DC  
 Florida Hispanic American Chamber of Commerce, Inc.  
 Gay & Lesbian Chamber of Commerce of Nevada  
 Georgia Hispanic Chamber of Commerce



Golden Gate Business Association  
 Greater Austin Asian Chamber of Commerce  
 Greater Austin Hispanic Chamber of Commerce  
 Greater Fort Lauderdale LGBT Chamber of Commerce  
 Greater Houston LGBT Chamber of Commerce  
 Greater Oklahoma City Hispanic Chamber of Commerce  
 Greater Philadelphia Hispanic Chamber of Commerce  
 Greater Phoenix Gay and Lesbian Chamber of Commerce  
 Greater Quad Cities Hispanic Chamber of Commerce  
 Greater San Jose Hispanic Chamber of Commerce  
 GSBA, Washington State's LGBTQ and Allied Chamber  
 Guatemala Chamber of Commerce  
 Gulf South LGBT Chamber of Commerce  
 Hampton Roads Business OutReach  
 Hispanic Chamber Cincinnati USA  
 Hispanic Chamber of Commerce Lehigh Valley Chamber of Commerce  
 Hispanic Chamber of Commerce of Coastal Virginia  
 Hispanic Chamber of Commerce of Greater Kansas City  
 Hispanic Chamber of E-Commerce  
 Hispanic Chamber of Commerce of Greater Orlando  
 Hispanic Chamber of Commerce of Louisiana  
 Hispanic Chambers of Commerce San Francisco  
 Houston Hispanic Chamber of Commerce  
 Illinois Hispanic Chamber of Commerce  
 Independence Business Alliance  
 Iowa LGBT Chamber of Commerce  
 Irving Hispanic Chamber of Commerce  
 Keystone Business Alliance  
 Latin American Chamber of Commerce of Charlotte  
 Latin Chamber of Commerce Nevada



Latino Chamber of Commerce of SE Wisconsin Inc.  
 Leaders Forum  
 LGBT Chamber of Commerce of Illinois  
 LGBTQ Business Council of the Greater Lehigh Valley Chamber  
 Long Beach Gay & Lesbian Chamber of Commerce  
 Long Island Hispanic Chamber of Commerce  
 Los Angeles Gay & Lesbian Chamber of Commerce  
 Los Angeles Latino Chamber of Commerce  
 Maryland LGBT Chamber of Commerce  
 Metropolitan Savannah Hispanic Chamber of Commerce  
 Miami-Dade Gay & Lesbian Chamber of Commerce  
 Michigan Hispanic Chamber of Commerce  
 Mid-America LGBT Chamber of Commerce  
 Midland Hispanic Chamber of Commerce  
 Morris County Hispanic American Chamber of Commerce  
 Nashville Area Hispanic Chamber of Commerce  
 Nashville LGBT Chamber  
 New Jersey Chinese-American Chamber of Commerce  
 nglccNY: New York's LGBT Chamber of Commerce  
 Nicaraguan American Chamber of Commerce Northern California  
 NJ LGBT Chamber of Commerce  
 North Texas LGBT Chamber of Commerce  
 Orange County Hispanic Chamber of Commerce  
 OUT Georgia Business Alliance  
 Quorum: Twin Cities LGBT Chamber of Commerce  
 Rainbow Chamber Silicon Valley  
 Regional Hispanic Chamber of Commerce  
 Regional Hispanic Contractors Association  
 Rio Grande Valley Hispanic Chamber of Commerce  
 Rio Grande Valley Partnership



San Antonio Hispanic Chamber of Commerce  
 San Diego Equality Business Association  
 South Carolina Hispanic Chamber of Commerce  
 Seattle Latino Metropolitan Chamber of Commerce  
 St. Louis LGBTQ+ Chamber of Commerce  
 Statewide Hispanic Chamber of Commerce of NJ  
 Tampa Bay LGBT Chamber  
 Tennessee Latin American Chamber of Commerce  
 Texas Association of Mexican American Chambers of Commerce  
 The Massachusetts LGBT Chamber of Commerce  
 The National Puerto Rican Chamber of Commerce  
 The Pride Chamber of Orlando  
 The United States-Mexico Chamber of Commerce  
 United Corpus Christi Chamber of Commerce  
 Utah LGBTQ+ Chamber of Commerce  
 Virginia Hispanic Chamber  
 West Michigan Hispanic Chamber of Commerce  
 Wichita Hispanic Chamber of Commerce  
 Wisconsin LGBT Chamber of Commerce  
 Women's Business Council of the Greater Lehigh Valley Chamber

CC: Chairwoman Nydia Velázquez  
 Chairman Richard Neal  
 Chairwoman Nita Lowey  
 Ranking Member Steve Chabot  
 Ranking Member Kevin Brady  
 Ranking Member Kay Granger

**BOARD OF DIRECTORS**

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Christine Rice

Alice Rodriguez

Jennifer Rodriguez

Raul Salinas

May 8, 2020

The Honorable Nancy Pelosi  
Speaker of the House  
U.S. House of Representatives  
Washington, D.C. 20515

The Honorable Charles Schumer  
Minority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
Washington, D.C. 20510

The Honorable Kevin McCarthy  
Minority Leader  
U.S. House of Representatives  
Washington, D.C. 20515

**Re: U.S. Hispanic Chamber of Commerce Policy Requests to Ensure Diversity, Equity, and Inclusion of Hispanic and Minority-Owned Small Businesses in Fourth COVID-19 Economic Relief Package**

Dear Speaker Pelosi, Majority Leader McConnell, Leader Schumer, and Leader McCarthy,

On behalf of the United States Hispanic Chamber of Commerce (USHCC), our Board of Directors, and the Hispanic-owned business community, we are writing to express our policy requests as you consider the next phase of stimulus funding to keep the American economy on track during and after the COVID-19 economic crisis.

The USHCC actively promotes the economic growth, development and interests of more than 4.7 million Hispanic-owned businesses that aggregate contribute over \$800 billion to the American economy every year. We also serve as a platform for our nationwide network of over 250 local Hispanic chambers of commerce.

Prior to the COVID-19 economic crisis, Minority Business Enterprises (MBEs) have been succeeding in spite of the many historical barriers minority entrepreneurs face as they work to start and grow a business. MBEs are two to three times more likely to be denied business loans, have one third of the annual gross revenues when compared to non-minority owned companies, and are half as likely to have at least one employee on payroll. When we fail to invest in minority-owned firms, our economy suffers.

In this spirit, the USHCC asks for your consideration of the following proposed policy requests as Congress considers the next stimulus package. Our advocacy is focused on three overarching principles: (1) providing immediate liquidity for Hispanic, small, and medium-sized businesses, (2) ensuring that Hispanic and minority-owned small businesses are included in procurement opportunities with the federal government and in the economic stimulus funding, and (3) our commitment to continue to work as a resource with Congress in helping write future legislation and shape policy that aims to rescue the American economy.

The following legislative priorities have the ability to positively impact the economic trajectory of Hispanic and minority-owned small businesses in our country:

**Ensure Stimulus Funding and Economic Relief for 501(c)(6) Chambers of Commerce and nonprofit organizations:** Amend the CARES Act under Section 1102 (a) definitions, to clarify that the term 'nonprofit organization' means an organization that is described in section 501(c)(3) or 501(c)(6) of the Internal Revenue Code. These organizations should be included with parameters around their activity, mission, or number of employees in the entity, and be amended to specifically allow Chambers of Commerce to access these funds.



**Expand lending for minority and community banks, debt, and equity capital for minority asset managers:** Address the capital needs and lending abilities of Minority Depository Institutions (MDIs), Small Business Investment Companies (SBICs), community banks, smaller regional banks, minority asset managers and Community Development Financial Institutions (CDFIs) that serve minority and low-income communities who represent some of the most vulnerable businesses as it pertains to cash flow and liquidity. According to the U.S. Small Business Administration, the \$30 billion that were earmarked for lenders that hold less than \$1 billion in assets and “non-banks” which include CDFI funds and other microlenders have nearly been exhausted within five days of the funds becoming available. Legislative action is needed to expand the \$30 billion of funding that were allocated so that these financial institutions can continue to serve their customers, including businesses who may not have existing relationships with traditional financial institutions or lenders, in order to get them the necessary operating capital.

**Integrate Minority Business Enterprises as Strategic Vendors of the U.S. Supply Chain:** Require the U.S. Supply Chain as it relates to federal government contracting to include Minority Business Enterprises in the production, operation, and distribution of goods and services needed for relief efforts, to combat disasters and future pandemics. A critical measure is to unbundle contracts from purchasing consortiums for goods and services and identify MBEs who currently manufacture or distribute these goods and services, to become an integrated part of public sector supply chains as they seek to maintain or obtain contracts. We encourage our leaders in Congress to leverage the U.S. Small Business Administration Small Business Development Centers, U.S. Minority Business Development Agency Minority Business Development Centers, and national business diversity organizations such as the U.S. Hispanic Chamber of Commerce to accomplish this goal.

**More transparent reporting on SBA’s PPP and disaster relief programs:** Require lenders of all types to ask the ethnicity of loan applicants to the SBA to enable reporting with more demographics that includes the total number and dollar amounts of loans or grants approved and disbursed through the PPP, Emergency EIDL Grants Program, and the EIDL Program as well as the amount of remaining funding in each program. Weekly reporting should include a breakdown by industry, ethnicity, and loan/grant size. Furthermore, the SBA should require the top 15 Financial Institutions who are managing the lending for these loans to provide a good faith effort and set aspirational goals for a certain percentage for Hispanic and Minority-owned small businesses and report these results.

**Resource Partner Grants:** Set forth an appropriation to expand Section 1103 (c) of the existing CARES Act to fund grant programs for resource and technical assistance support in the areas of business revitalization, new business technologies, expanded customer service, supplier diversity trainings, supplier diversity matchmaking, financial services, and lending to national organizations with business memberships. These organizations should include minority chambers of commerce, Minority Depository Institutions (MDIs), Community Development Financial Institutions (CDFIs), and not exclude other nonprofit groups that have the ability to provide technical assistance to distressed businesses during and after COVID-19.

**2019 Payroll Taxes:** Forgive all 2019 Payroll Taxes for America’s 30 million small businesses, allow the Internal Revenue Service (IRS) to waive these taxes to keep more Americans employed by infusing more capital into the economy and creating a substantial operational impact for small businesses. This designation should be allowed for small businesses, per the established guidelines of the Small Business Administration (SBA).

**Capital Financing for Hispanic-Serving Institution (HSIs):** Expand Section 3512 of the existing CARES Act to include capital financing for Hispanic-Serving Institutions (HSIs). These educational centers create the pipeline of future business owners, entrepreneurs, and executives that will have the ability to actively contribute to the rebuilding and new evolving vitality of the American economy post COVID-19. HSIs should be considered for grant funding in Low-



**Establish a Minority Equity Fund of \$65 billion to have the ability to fund Minority Business Enterprises (MBEs), and minority managers to participate in any Economic Relief Programs as implemented by Treasury, SBA or other agencies:** Refer to the [Economic Stabilization Act of 2008](#) for language regarding MBE inclusion, specifically Section 107 contracting procedures to include the following legislative determinations: (a) STREAMLINED PROCESS.—For purposes of this Act, the Secretary may waive specific provisions of the Federal Acquisition Regulation upon a determination that urgent and compelling circumstances make compliance with such provisions contrary to the public interest. Any such determination, and the justification for such determination, shall be submitted to the Committees on Oversight and Government Reform and Financial Services of the House of Representatives and the Committees on Homeland Security and Governmental Affairs and Banking, Housing, and Urban Affairs of the Senate within seven days. Additional contracting requirements should include, any solicitation or contracts where the Secretary has, pursuant to subsections for minorities, deadline, or waiver authority. Waive any provision of the Federal Acquisition Regulation pertaining to minority contracting, the Secretary shall develop and implement standards and procedures to ensure, to the maximum extent practicable, the inclusion and utilization of minorities (as such term is defined in section 1204(c) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note)) minority and women-owned businesses (as such terms are defined in section 21A(r)(4) of the Federal Home Loan Bank Act (12 U.S.C. 1441a(r)(4)), in that solicitation or contract, including contracts to asset managers, servicers, property managers, and other service providers or expert consultants. Add the eligibility of FDIC insured financial institutions notwithstanding subsections (a) and (b), the Corporation, (1) shall be eligible for, and shall be considered in, the selection of asset managers for residential mortgage loans and residential mortgage-backed securities; and (2) shall be reimbursed by the Secretary for any services provided.

**Undocumented Business Owners and Workers:** Set forth provisions to allow undocumented business owners and undocumented workers who can actively prove that they have paid the Internal Revenue Service (IRS) taxes in 2018 to take advantage of the existing CARES Act. These entrepreneurs and employees thereof, are active contributors to the American economy and should have the same access to rebuild their businesses and families to continue those economic contributions. Furthermore, Deferred Action for Childhood Arrivals (DACA) recipients who are in this country by no fault of their own should also be guaranteed access to these provisions regardless of the immigration status of others on their tax return or household.

If you have any questions or require additional information, please do not hesitate to contact C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs, at [LCavazos@ushcc.com](mailto:LCavazos@ushcc.com) or via phone at 956-844-9628. Thank you in advance for your consideration in this matter, we look forward to your positive response and collaboration on these important policy priorities.

Respectfully,

Carmen Castillo  
Chairwoman, Board of Directors

Ramiro A. Cavazos  
President & CEO

**CC:** Hon. Marco Rubio, Chair, Senate Committee on Small Business & Entrepreneurship  
Hon. Ben Cardin, Ranking Member, Senate Committee on Small Business & Entrepreneurship  
Hon. Nydia M. Velázquez, Chairwoman, House Committee on Small Business  
Hon. Maxine Waters, Chairwoman, House Committee on Financial Services  
Hon. Joyce Beatty, Chairwoman, House Sub Committee on Diversity and Inclusion  
Hon. Joaquin Castro, Chairman, Congressional Hispanic Caucus



May 15, 2020

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
U.S. House of Representatives  
United States Capitol  
Washington, DC 20515

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
United States Capitol  
Washington, DC 20515

Dear Madam Speaker and Majority Leader McConnell:

On behalf of the organizations representing this nation's more than 30 million small businesses, we write to you today with a broad set of policy recommendations and concerns as Congress considers additional legislation as it relates to economic relief during the COVID-19 crisis.

The first three response bills passed by Congress have provided support for millions of small businesses across the nation in an unprecedented amount of time. We understand that additional guidelines are being provided and that further conversation is needed with the U.S. Small Business Administration (SBA) and the U.S. Department of Treasury to develop effective implementation of the Paycheck Protection Program (PPP), however, we urge Congress to ensure that *all* small businesses are supported during this time of crisis. We appreciate your attention to the small business and entrepreneurship sectors as they define the economic vibrancy of America and we ask for consideration of the following policy recommendations:

**Directed Use of Existing and Future PPP Funding**

We believe it is necessary for Congress to provide additional guidance and direction to further ensure that those small businesses who are most vulnerable (minority business owners, women business owners, small employers with less than 50 employees, and the self-employed) are provided more protections and pathways to access this program. We are disappointed to hear from many of our valued members that they have been essentially shut out of the program due to various challenges both from the implementation and the lack of direction given to lenders.

**Loan Forgiveness**

Small business owners believed that the intent and language of the guidance would align with the legislation, and were consequently disappointed to see changes to the non-payroll portion of

forgivable expenses and the limitation placed on EIDL loan advances. As additional guidance continues to be published, many small businesses are confused and paralyzed by the uncertainty in how to utilize these loans and what effects they will have on the future of their business.

#### *Extension of the PPP Eight-Week Term Length*

Given that the economic effects of COVID-19 will be both severe and unpredictable, the eight-week timeline and deadlines associated with the original legislation are no longer appropriate. The program should be amended to allow use of funds to continue throughout the rest of 2020 and additional flexibility that favors business owners responsibly deploying funds is needed. Congress should also convene leading small business organizations for an open, on-the-record dialogue about the effectiveness of PPP as it considers future funding. Not only are millions of businesses seeking their first PPP loan, but millions more who received them are now facing the same challenges from early March.

#### *75/25 Payroll Cost Threshold*

In their promulgation of guidance, the U.S. Department of Treasury and the U.S. Small Business Administration determined that no more than 25% of PPP loan dollars could go to non-payroll expenses. This decision was devastating to certain industries -- particularly restaurants and many small businesses located in high-cost/high-rent areas -- and should be immediately reversed in any forthcoming legislation. We must champion the ability of business owners to implement these loans as necessary to keep their operations running.

#### **Compile Data on PPP Allocation**

There is an absence of data on the types of businesses being served by the PPP. As further guidance comes out on loan forgiveness, Congress should utilize a loan forgiveness application as an opportunity to gather additional data on the types of businesses, including demographic information, that have received loans. This will help to document important information, including whether there are participation gaps, which will help drive future policy development. This data could increase Congress' understanding of which communities are falling through the cracks and need targeted assistance.

#### **Better Communication & Expanded Set of Lenders**

Given the magnitude of the crisis, we understand the diligence and speed of everyone working to stimulate the American economy. At the same time, guidance for lending institutions has been lacking, which has led to confusion, under-preparedness and challenges for implementation. Through legislation or direction of federal agencies, we specifically need guidance on:

#### *Loan Eligibility Qualifications*

Increased clarity on PPP loan eligibility for minority-owned, community banks and credit unions would help small businesses strategize accordingly. These lending entities are critical to the response, but they also have payroll and financial challenges. We urge Congress to clarify that CDFIs, MDIs, and other mission-based lenders be declared eligible for PPP loans.

#### *Non-traditional Lending Institutions*

Many small businesses have received little assistance from traditional banking institutions that have been approved to administer PPP loans and, instead, are receiving quicker loan approvals with alternate lending institutions. These lending institutions primarily operate and serve

low income, minority and rural communities who have some of the most vulnerable businesses or most established minority businesses in our country. An increase in certified lenders to administer PPP loans will increase the number of loans that can be processed, especially amongst microbusinesses and minority borrowers.

The guidance put out by the Administration provided limited details on the inclusion of non-SBA and non-bank lenders. We support the swift inclusion of these entities to maximize the opportunities for small business borrowers. We should also address the capital needs and lending abilities of minority depository institutions and credit unions. Legislative action is needed so that these lending institutions can serve their customer and get them necessary operational capital and immediate liquidity.

Finally, the delay in adding non-bank lenders to the program is unacceptable. We urge Congress to create a five day application response period for new entities seeking to support their communities as PPP lenders.

#### **The Prioritization of Disadvantaged Communities**

The CARES Act legislation requires the prioritization of many communities that are underbanked and face pre-existing capital challenges. Unfortunately, many of these disadvantaged groups, including women and minority-owned businesses, have not yet received PPP funding. Many businesses that did not need the funds have benefitted from PPP funding, yet many small business owners are facing unprecedented challenges and continue to struggle. We urge you to continue to work with the Administration to prioritize minority and rural communities.

#### *Microbusinesses*

The CARES legislation, though well intentioned, has also left microbusinesses vulnerable. Businesses with less than ten employees have not reaped the benefits of the CARES Act, many of which have still not received PPP or EIDL funding. The next funding package should support these small businesses and set aside funding for companies of 50 employees or less.

#### *New Businesses*

On average, it takes two to three years for a new business to become profitable. Newer and smaller businesses operate with increased uncertainty and fewer safeguards, especially during times of crisis. Congress must address these amplified needs of these newer businesses to help them survive and create American jobs to stimulate our economic prosperity.

#### **Additional Guidance Needed for the Self-Employed and 1099 Independent Contractors**

The delayed PPP application submission date for independent contractors and self-employed individuals left them at a disadvantage in receiving funding and provided ambiguous guidelines on the loan applicability. As it stands, there is still uncertainty around the loan forgiveness eligibility of independent contractors that file their taxes using 1099 forms, leaving room for speculation.

Keith Hall, President and CEO of the National Association for the Self-Employed stated, "For 1099s and independent contractors, your payroll is your net earnings from self-employment. It is

my expectation, from a practical standpoint, that these PPP loans for 1099 people will be forgiven." We agree with Mr. Hall's conclusion and urge Congress to relieve any uncertainty.

We must ensure that sole-proprietors and 1099 independent contractors can access funding to continue working, allow their clients to maintain them on payroll, and ease the restrictions of the Paycheck Protection Program so that employers can use 1099 employees as part of their payroll to access the PPP. We appreciate the additional stimulus funding allocated to allow for more businesses to apply, and we also encourage you to enact legislation that requires specific disaster business loans and streamlines the relief fund application process for the self-employed and independent contractors.

#### **Leveraging Tax Policy to Support Small Businesses**

The Employee Retention Tax Credit (ERTC) implemented under the CARES Act provides fully refundable tax credits for eligible employers equal to 50% of qualified wages up to \$10,000 paid to an employee (a maximum of \$5,000 credit per employee available to employers). We urge Congress to strengthen and expand the ERTC, to further aid businesses negatively affected by the economic downturn from COVID-19.

#### *IRS Notice & 2019 Payroll Taxes*

The Internal Revenue Service (IRS) released a notice last month stating that expenses paid by forgiven PPP loans will not be tax-deductible because the proceeds will not be taxable. While this is perhaps logical in normal circumstances, it hurts small businesses and has taken them by surprise. Congressional tax writers have informed the IRS that the intent of the CARES Act - through a specific provision written in the legislation - allows deductibility, but IRS guidance did not align with the intent and text of the legislation. Please support a special exception for the small businesses that need every break possible and make this clear to the IRS.

Additionally, sole proprietors and independent contractors would benefit if the IRS waves the income taxes for the first \$10,000 of self-employed or contracted dollars these Americans gain.

We encourage Congress to allow the IRS to forgive the 2019 Payroll Taxes to keep additional capital within the economy and encourage a more swift economic recovery.

#### **Increase Small Business Utilization on Government Contracts and Encourage Large Companies to Maintain their Supply Chain**

We propose doubling small business set-aside goals for FY20 and FY21 and re-establishing the Quick Pay program to ensure small businesses receive earned pay as fast as possible. The government can be an effective economic tool when leveraging its \$500 billion spend, particularly with small businesses.

Similarly, small businesses rely on corporate America in their customer base. As we transition towards long-term economic recovery strategies, please consider introducing tax incentives for corporate America to keep small businesses in their supply chain through 2021.

#### **Amendment to the Small Business Act to Ensure the Inclusion of Certain 501(c)(6) Organizations in Coronavirus Relief Packages**

In the Cares Act, 501(c)(6) organizations were not included in the Paycheck Protection Program. However, a contingent of this group assists small businesses in navigating normal day-to-day operations and is especially critical in providing guidance during times of crisis. By including specific 501(c)(6) organizations while also prohibiting others, the spirit of the CARES Act remains intact.

#### **Expand Broadband and Infrastructure**

Many small businesses that are located in rural areas have been disadvantaged during the PPP and EIDL application submission processes due to a lack of broadband access. Congress should allocate funding to increase broadband and infrastructure in rural areas to ensure that all small businesses have equal opportunity to apply for loans, receive aid and have the tools to function in the digital economy.

#### **More Transparent Reporting on SBA's PPP and Disaster Relief Programs**

Require lenders of all types to ask the ethnicity of loan applicants to the SBA to enable reporting with more demographics that includes the total number and dollar amounts of loans or grants approved and disbursed through the PPP, Emergency EIDL Grants Program, and the EIDL Program as well as the amount of remaining funding in each program. Weekly reporting should include a breakdown by industry, ethnicity, and loan/grant size. Furthermore, the SBA should require the top 15 Financial Institutions who are managing the lending for these loans to provide a good faith effort and set aspirational goals for a certain percentage for Hispanic and Minority-owned small businesses and report these results.

#### **Resources and Services in Languages other than English**

We urge Congress to expand Section 1111 of the existing CARES Acts to provide minority communities with the necessary resources in their individual native languages. This section should not discriminate communities of diverse racial ethnicities and should be inclusive of all sub-minority groups in America. All resources should be adequately translated and distributed in all available channels to include the world wide web, printed materials, and in-person translation for any presentation conducted by a government entity when providing business assistance to affected businesses. This measure should also include service for the blind, legally blind, visually impaired, and deaf communities.

We urge you to reach out directly with any questions, given the timely nature of these policies. We are available at your convenience and can be speedily convened by contacting Executive Directors Rhett Buttle ([rhett@smallbusinessroundtable.org](mailto:rhett@smallbusinessroundtable.org)) or John Stanford ([john@smallbusinessroundtable.org](mailto:john@smallbusinessroundtable.org)).

Thank you for your service and dedication to the United States and the more than 30 million small business owners that drive and shape our economy.

Sincerely,

Chiling Tong, President & CEO, Asian and Pacific Islander Chamber of Commerce and Entrepreneurship  
Jill Houghton, President & CEO, Disability: IN

Keith Hall, President & CEO, National Association for the Self Employed  
Jen Earle, CEO, National Association of Women Business Owners  
Todd McCracken, President & CEO, National Small Business Association  
Karen Kerrigan, Chair, Small Business Roundtable, CEO, Small Business & Entrepreneurship Council  
Ron Busby, President & CEO, U.S. Black Chambers, Inc.  
Ramiro Cavazos, President & CEO, U.S. Hispanic Chamber of Commerce  
John Stanford, Co-Executive Director, Small Business Roundtable  
Rhett Buttle, Co-Executive Director, Small Business Roundtable

cc:

The Honorable Marco Rubio, Chairman, Senate Committee on Small Business and Entrepreneurship  
The Honorable Ben Cardin, Ranking Member, Senate Committee on Small Business and Entrepreneurship  
The Honorable Nydia Velazquez, Chair, House Committee on Small Business  
The Honorable Steve Chabot, Ranking Member, House Committee on Small Business



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June 1, 2020

The Honorable Marco Rubio  
Chairman  
U.S. Senate Committee on Small Business  
and Entrepreneurship  
284 Russell Senate Office Building  
Washington, DC 20510

The Honorable Ben Cardin  
Ranking Member  
U.S. Senate Committee on Small Business  
and Entrepreneurship  
509 Hart Senate Office Building  
Washington, DC 20510

The Honorable Mike Crapo  
Chairman  
U.S. Senate Committee on Banking, Housing,  
and Urban Affairs  
239 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
Ranking Member  
U.S. Senate Committee on Banking, Housing,  
and Urban Affairs  
503 Hart Senate Office Building  
Washington DC, 20510

## **RE: Recommendations for the forgiveness provisions related to loans made through the Paycheck Protection Program (PPP) for the economic benefit of Minority-owned small businesses.**

Dear Chairman Rubio, Chairman Crapo, Ranking Member Cardin, and Ranking Member Brown,

Thank you for your indefatigable commitment to return our economy back to its pre COVID-19 market strength and functioning for all Americans. We appreciate your steadfast leadership during these uncertain times.

On behalf of the United States Hispanic Chamber of Commerce (USHCC), our Board of Directors, and the Hispanic-owned business community, we are writing to express our policy requests as you consider the measures related to the forgiveness of loans made through the Paycheck Protection Program (PPP), as the American economy begins to recover during and after the COVID-19 economic crisis.

The USHCC actively promotes the economic growth, development and interests of more than 4.7 million Hispanic-owned businesses that aggregate contribute over \$800 billion to the American economy every year. We also serve as a platform for our nationwide network of over 250 local Hispanic chambers of commerce.

Prior to the COVID-19 economic crisis, Minority Business Enterprises (MBEs) have been succeeding in spite of the many historical barriers minority entrepreneurs face as they work to start and grow a business. MBEs are two to three times more likely to be denied business loans, have one third of the annual gross revenues when compared to non-minority owned companies, and are half as likely to have at least one employee on payroll. When we fail to invest in minority-owned firms, our economy suffers.

In this spirit, the USHCC asks for your consideration of the following proposed policy requests as your committees and respective colleagues consider forgiveness provisions for minority-owned small businesses related to the PPP.

We would like to recommend the three priorities listed below as imperative for the smallest of our businesses to be successful in obtaining economic relief from the PPP:

- 1. Simplify the Forgiveness Process:** We recommend a forgiveness process that is simple, efficient and easy for small businesses to complete. The Small Business Administration's



(SBA) PPP interim final rule for loan forgiveness goes beyond Congressional intent and will result in a forgiveness process that is likely to be more time consuming than the origination process. Confirming and reviewing calculations will be challenging, and it will create an overly burdensome and lengthy process, especially for diverse and underserved small businesses.

2. **Expedite Forgiveness for the Smallest Businesses:** Establish a tiered system whereby complexity of review increases with loan size. Microbusinesses under a minimum threshold of outstanding loans should receive forgiveness through an expedited process (e.g. loans less than \$100,000). For example, the use of a "PPP-EZ form" – a simple one-page attestation – acknowledging that they spent the majority of PPP funds to preserve the jobs of their employees as outlined in the guidance and consistent with their PPP application could be effective. Additional tiers can be developed for PPP loans above \$100,000 and \$2 million as appropriate. Lending institutions can process forgiveness applications for PPP loans over \$2 million for completeness and accuracy with submission to the SBA for review and approval consistent with the SBA forgiveness interim final rule.
3. **Lengthen Period for Use of Funds:** An expansion of the use of funds through PPP should be extended from eight weeks to twenty-four weeks as proposed by Senators Rubio and Cardin to provide more time for minority-owned small businesses to use and account for their PPP funds.

If you have any questions or require additional information, please do not hesitate to contact C. LeRoy Cavazos-Reyna, Vice President of Government and International Affairs, at [LCavazos@ushcc.com](mailto:LCavazos@ushcc.com) or via phone at 956-844-9628. Thank you in advance for your consideration in this matter, we look forward to your positive response and collaboration on these important policy priorities.

Respectfully,

Carmen Castillo  
Chairwoman, Board of Directors  
U.S. Hispanic Chamber of Commerce

Ramiro A. Cavazos  
President & CEO  
U.S. Hispanic Chamber of Commerce

Monday, June 22, 2020

**The Honorable Jerome Powell  
Chairman**

Board of Governors of the Federal Reserve System  
20th Street and Constitution Ave., NW  
Washington, DC 20551

**The Honorable Steven Mnuchin  
Secretary**

U.S. Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

**Re: Request that the Federal Reserve utilizes its full powers to support, with a debt and equity facility, a vital sector of the economy that represents \$1.4 trillion in gross receipts and 7.2 million in jobs.**

Dear Chairman Powell and Secretary Mnuchin:

All the organizations that sign this letter lead the Industry Associations and Investment Management Associations that unite Minority business owners across the country. According to the Minority Business Development Agency ([MBDA](#)), minority businesses generate \$1.4 trillion in aggregate gross receipts and create 7.2 million jobs. During this economic crisis we must make every effort to preserve their productivity and job creation.

We request the opportunity to meet alongside our investment management experts so we can provide our perspective and proposed solutions. **We request that you provide serious consideration to the facilities and Main Street Lending program modifications we propose below, and that you provide through your toolset at least \$10 billion for the funding our businesses require so that our pre-COVID profitable businesses can fight the COVID war, and thrive, protecting millions of jobs. This will largely benefit our communities and provide much hope and resources during very difficult economic and social times.**

**Unemployment is massive and rapidly crippling our communities.** We work every day with these business owners; therefore, we can share first-hand the deeply troubling situation that many of our profitable and thriving pre-COVID 19 companies are now facing, resulting in productivity loss and massive job losses. Robert W. Fairlie, PhD in economics, in his recently published paper by NBER, *"The Impact of COVID-19 on Small Business Owners: Evidence of early-stage losses from the April 2020 current population survey"* provides the first analysis of impacts of the pandemic on the number of active small businesses in the United States using nationally representative data from the April 2020 CPS (current population survey) – the first month fully capturing early effects from the pandemic. According to the author: *This paper is the first to use CPS data covering the early effects of COVID-19 mandates and demand shifts on small businesses, and the first to explore differential effects for female, minority and immigrant business owners, which is potentially important for targeting government aid to preserve small businesses and the jobs they create."*

Further, the paper also provides disturbing statistics: *"the number of African-American business owners plummeted from 1.1 million in February 2020 to 640,000 in April. The loss of 440,000 black business owners representing 41 percent of the previous level is disconcerting. Latinx business owners also suffered major*

*losses. The number of Latinx business owners dropped from 2.1 million to 1.4 million (32 percent) from February to March...The Stanford Latino Entrepreneurship Initiative (2020) surveyed 224 high-revenue Latinx-owned businesses and found that 86% of respondents reported immediate negative effects such as delayed projects and closure from the pandemic."*

**We request that you provide an opportunity for skilled and minority managers to add value and help salvage productivity and job creation.** The capital crisis our businesses are experiencing has been largely compounded by the fact **that many of our business owners are not closely working with a bank**, reason why PPP had significant challenges and low minority participation rates. If the Main Street Lending program is distributed only through banks, this will continue to largely occur. The program excludes other valuable financial entities, such as debt and equity asset managers, especially those that are diverse owned and have experience and knowledge in our market and managing recession programs.

**The need for equity is dire.** We also believe it is imperative that the program, or a parallel facility, includes equity, a capital type that was included under the PPIP program during the last recession. In our estimation salvaging productive businesses and job creators is of imperative importance for our country and our economy.

**Going back to full employment requires capital for productivity.** We were pleased to hear on your Thursday June 11, 2020 press remarks about the commitment of the Federal Reserve to utilize its full toolset to allow for economic recovery. However, we want to express our deep concern because we know that job creation doesn't happen alone, and that **for our communities to be put back to work, our businesses must be supported with the right capital and technical assistance instruments.** Beyond PPP, EIDL, and now the Main Street Lending program, it is imperative that we stand up facilities of at least \$10 billion to utilize our skilled diverse asset management firms, who have the expertise to provide flexible **debt and equity**, short, medium and long term **value added** capital solutions. This can happen in close collaboration with chambers and industry associations who can provide **vital support, alongside capital**, to our business owners. Ultimately, this will largely maintain and improve productivity and job preservation, and will become a vital lifeline for these businesses to survive COVID-19 disaster and thrive beyond, continuing to provide all sorts of products and services to the economy including many essential goods and services. Many of these business owners have provided essential goods and services, are **innovators and inventors, are productive actors of our economy, and merit every reason to be supported financially** during this crisis.

**Quantifying needs and what our skilled asset managers can achieve.** As highlighted recently by Monika Mantilla, who leads an SBIC impact fund and asset management firm that specializes in this segment and provided asset management services including public private programs during the last recession, at the recent New York Fed Reserve "To Important to Fail" Event, **the estimated needs for minority businesses stand at \$700 bill.** Asset management firms can and should operate as the next tier of capital solutions for a universe of approx. 8,000 diverse enterprises that sell north of \$5 mill in revenue and generate a large percentage of the 7.2 mill jobs that minority businesses create.

**Our needs.** The large majority of our businesses are small, and need Community Development Financial Institutions, CDFIs, to support them with capital, with size of checks up to \$500,000. **But beyond those needs there is a next tier of solid businesses, across many industries, that need larger size of checks, both debt and equity, provided by value-add capital providers, many of which are minority owned. They need to be visible and valuable to the Federal Reserve and Treasury, and added as fiduciaries, service providers and advisors, in existing or future facilities and in the next legislative relief package. During the last recession the law included the following language:**

"Requires the Secretary, in any solicitation or contract containing such a waiver, to develop and implement standards and procedures to ensure the inclusion and utilization of minorities and women, and minority- and women-owned businesses, in that solicitation or contract, including contracts to asset managers, servicers, property managers, and other service providers or expert consultants.

<https://www.congress.gov/bill/110th-congress/house-bill/1424>

**Becoming architects of our own solutions.** We also would like to stress the importance of strengthening Minority Depository Institutions and minority owned CDFIs, so that our communities can continue to be architects of their own solutions. And we need an opportunity for our own asset managers to be fully utilized for the benefit of our economy and our country.

There are viable solutions and facilities adjustments as outlined in this letter that we must together contemplate and ask that you promptly implement for the benefit of our country and the strength of our economy.

We appreciate your consideration to our proposals to ensure our country minimizes the damage the pandemic has caused, and the current social unrest has uncovered. We trust the Federal Reserve and the US Treasury will see our segment of the economy and the importance it merits for the present and the future of our Nation.

Sincerely,



**Ramiro A. Cavazos**  
President and CEO  
United States Hispanic Chamber of Commerce (USHCC)



**Mark Madrid**  
CEO  
Latino Business Action Network (LBAN), Stanford Latino Entrepreneurship Initiative



**Solange Brooks**  
CEO  
New America Alliance (NAA)



**Robert Greene**  
CEO  
National Association of Investment Companies (NAIC)

**CC:** The Honorable Mitch McConnell, Majority Leader, U.S. Senate  
The Honorable Nancy Pelosi, Speaker, U.S. House of Representatives  
The Honorable Charles Schumer, Minority Leader, U.S. Senate  
The Honorable Kevin McCarthy, Minority Leader, U.S. House of Representatives  
The Honorable Marco Rubio, Chair, U.S. Senate Committee on Small Business and Entrepreneurship  
The Honorable Ben Cardin, Ranking Member, U.S. Senate Committee on Small Business and Entrepreneurship  
The Honorable Tim Scott, Member, U.S. Senate Committee on Small Business and Entrepreneurship

The Honorable Cory Brooker, Member, U.S. Senate Committee on Small Business and Entrepreneurship  
 The Honorable Maxine Waters, Chairwoman, U.S. House Committee on Financial Services  
 The Honorable Joyce Beatty, Chairwoman, U.S. House Subcommittee on Diversity and Inclusion  
 The Honorable Nydia M. Velázquez, Chairwoman, U.S. House Committee on Small Business  
 The Honorable Joaquin Castro, Chairman, Congressional Hispanic Caucus



July 1, 2020

The Honorable Nancy Pelosi  
Speaker of the House of Representatives  
U.S. House of Representatives  
United States Capitol  
Washington, DC 20515

The Honorable Mitch McConnell  
Majority Leader  
U.S. Senate  
United States Capitol  
Washington, DC 20515

Dear Madam Speaker and Majority Leader McConnell:

On behalf of the dozens of national, state and local organizations that have united to advocate for underserved and rural communities, Page 30 Coalition endorses the *Minority Business Resiliency Act of 2020*. This vital piece of legislation will support expansion of Minority-owned Business Enterprises (MBEs) and bolster the country's economy.

Preceding the arrival of the Coronavirus pandemic, MBEs consisted of 30 percent of the country's 28.6 million small businesses<sup>1</sup>, contributed nearly \$1.5 trillion in annual gross receipts and employed over 7.2 million Americans.<sup>2</sup> Despite these significant figures, MBEs stand disproportionately disadvantaged as evidenced by challenges with access to capital and collateral, lower credit scores, and less access to technical assistance services.<sup>3</sup>

For the past 40 years, Minority Business Development Agency (MBDA) at the Department of Commerce has been a significant proprietor in reducing such challenges while growing the number of MBEs. Through a national network of business centers, MBDA provides entrepreneurs with technical assistance and access to capital, contract, and new market opportunities to generate new jobs and form new businesses.

Despite MBDA's progress, the pandemic's economic downturn has amplified the disadvantages among underserved and minority small business owners – particularly within Women, People of Color, and Tribal markets. MBEs overwhelmingly are concentrated in industries that remain susceptible to economic disruption, such as personal and laundry services, and retail.<sup>4</sup> As the nation experiences a resurgence of Coronavirus cases, these fragile markets face near-fatal consequences.<sup>5</sup>

<sup>1</sup> <https://www.sba.gov/sites/default/files/advocacy/Frequently-Asked-Questions-Small-Business-2018.pdf>

<sup>2</sup> <https://www.mbda.gov/page/infographic-impact-minority-businesses-us-economy>

<sup>3</sup> <https://content.benetrends.com/blog/exploring-challenges-and-opportunities-for-minority-business-owners-in-2019>

<sup>4</sup> <https://www.mckinsey.com/industries/social-sector/our-insights/covid-19s-effect-on-minority-owned-small-businesses-in-the-united-states#>

<sup>5</sup> <https://www.politico.com/newsletters/morning-money/2020/06/29/coronavirus-resurgence-threatens-recovery-788857>

We urge lawmakers to pass the *Minority Business Resiliency Act of 2020* as it will strengthen and establish the MBDA into federal statute. This critical proposal, introduced by Senator Ben Cardin (D-MD), would increase MBDA's fiscal year 2020 budget to further safeguard MBEs from the devastating inequities brought on by the health crisis, promote a diverse entrepreneurial pipeline with the creation of new programs at historically Black colleges and universities and minority-serving institutions, and establish a process for the Minority Business Development Center Program to expand its regional coverage.

During this time of economic emergency, Page 30 Coalition believes now is the time for Congress to pass equitable and targeted legislation that will benefit underserved and rural markets and encourage underserved and rural markets enterprise formation. We support *Minority Business Resiliency Act of 2020* as it slated to add to congressional prioritization by creating additional entrepreneurial opportunities for communities mentioned on Page 30 of the Coronavirus Aid, Relief, and Economic Security Act.<sup>6</sup>

We commend your work on ensuring that all small businesses receive the resources necessary to withstand the current economic downturn. We urge you to reach out directly to Jamon Phenix, at [jamon@page30coalition.org](mailto:jamon@page30coalition.org), with any questions.

Thank you for your consideration.

Sincerely,

Page 30 Coalition

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<sup>6</sup> <https://assets.documentcloud.org/documents/20059055/final-final-cares-act.pdf>



**Access Denied: Challenges for Women and Minority-Owned Businesses  
Accessing Capital and Financial Services During the Pandemic**

**Testimony of:**

**Karen Kerrigan, President & CEO**

**Small Business & Entrepreneurship Council**

**Before the:**

**House Financial Services Committee  
Subcommittee on Diversity and Inclusion  
U.S. House of Representatives**

**The Honorable Joyce Beatty, Chairwoman**

**The Honorable Ann Wagner, Ranking Member**

**July 9, 2020**

**Protecting Small Business, Promoting Entrepreneurship**

**[www.sbecouncil.org](http://www.sbecouncil.org)**

Chairwoman Beatty, Ranking Member Wagner and members of the subcommittee, thank you for inviting me to join you for this hearing today on capital access challenges faced by women and minority-owned businesses both historically and during the pandemic.

I am honored to represent the Small Business & Entrepreneurship Council (SBE Council) where I serve as president & CEO to discuss this critical issue – as well as solutions – with members of the subcommittee and the distinguished panel of experts and advocates assembled today.

Access to capital has been a priority issue for our organization since its founding over 25 years ago. It remains a longstanding challenge for many entrepreneurs and startups, particularly women and minority-owned businesses, and this challenge has become more acute during COVID-19. Not surprisingly, small business owners cite “demand” and “access to capital” as their top challenges during this crisis (as reported in a recent [State of Small Business Report](#) by the Small Business Roundtable and Facebook), and it is expected that these two issues will remain with us for some time given the uncertainty of the pandemic and how it will effect re-openings and the economy moving forward.

Let there be no doubt that accessing capital is an ongoing challenge for women and minority-owned businesses. Closed funding networks, long-standing financial institutional bias and underserved markets present significant hurdles for these businesses, along with the many women and minority entrepreneurs who want to start businesses.

SBE Council has been proud to lead advocacy efforts to democratize access to capital over our 26-year history. Much more needs to be done, however, to connect promising women and minority entrepreneurs with the financial resources they need to startup, compete, survive and thrive.

#### **Access to Capital and COVID-19**

While some of the recent programs advanced by Congress have provided support to a portion of women and minority-owned businesses to help these firms better navigate COVID-19, restrictions and lack of distribution channels at the launch of the Paycheck Protection Program (PPP) left a significant number of these small businesses behind.

Minority and women-owned business owners who lack relationships with banks or other financial institutions participating in PPP lacked early access to the program. That is why SBE Council strongly advocated for inclusion of fintech lenders, for example, from the start to broaden access to PPP loans. These lenders were brought on at the end of the first tranche of PPP funding, which made a difference in reaching the smallest of small businesses and self-employed. Fintech companies needed to be approved as lenders at the very start of the program.

The on-boarding of Community Development Financial Institutions (CDFIs) also made a big difference in reaching women and minority-owned businesses once more of them were allowed to become PPP lenders. As noted [by an Opportunity Finance Network report on June 30:](#)

*Eventually, and only after concerted advocacy, CDFIs were recognized for their specialized expertise, and offered an expanded role in the program. On May 28, \$10 billion in PPP funding*

*was “set-aside” for CDFIs to lend with the hope that more very small, minority- and women-owned businesses in low-wealth markets would be served. Many of these customers were helped by CDFI PPP lenders, but by the time dedicated PPP resources were directed to CDFIs, demand for the program had fallen off. Sadly, some small businesses had already closed their doors including 41% of Black-owned businesses. Others had become discouraged about qualifying for a forgivable PPP loan. In addition, more flexible terms meant to attract more PPP applicants were not enacted until June 5.*

*Even with the delay, CDFIs showed remarkable success as PPP lenders, outperforming much larger and better capitalized lenders. Consider that the entire CDFI industry (1,100 institutions) has \$222 billion in total assets. In just 2.5 months, a subset of the CDFI industry (303 CDFIs) made 101,799 PPP loans for a total of \$7.3 billion.*

Other PPP restrictions regarding when and how a loan can be used in order to be eligible for forgiveness was (and remains) a barrier to accessing PPP loans. While some of these restrictions were made more flexible with the signing of the Paycheck Protection Program Flexibility Act, minority and women-owned firms with high overhead expenses vs. payroll costs remain shut out. Some of the changes came too late for many businesses, and ever-changing rules and guidance – along with the complexity in applying for a PPP loan (and subsequent forgiveness) – disadvantaged women and minority-owned entrepreneurs who lack access to technical support often provided by lenders.

There is no doubt that the PPP has helped many small businesses and their employees weather the COVID-19 crisis. Yet many small businesses were not able to access the program or the SBA’s emergency loan disaster loan (EIDL) program. As Congress ponders further changes to PPP, or reworks it all together, we support changes that provide even more flexibility for small businesses including longer terms for repayment, low interest rates, broad usage in terms of what they funds can be used for, and targeted efforts to help those small businesses most in need or that were shut out of the program the first time around.

### **Moving Forward**

As noted previously, the issue of capital access has long been a priority issue for SBE Council. We have led numerous advocacy campaigns to unleash capital and improve its distribution to those most in need. For example, two of our members jumpstarted the discussion through their design and advocacy of the framework that made Regulated Crowdfunding a reality. That effort had significant bipartisan support, and even though it took too long for the rules to be developed and implemented by the Securities and Exchange Commission (SEC), Title III of the first JOBS Act (regulated crowdfunding) is beginning to perform as we expected it would. More than \$370 million has been raised by 1400 local companies, and 515,000 investors have participated in these raises.

We are pleased that the Securities and Exchange Commission (SEC) is moving forward with a number of regulatory improvements to leverage the early success of Regulated Crowdfunding, as

proposed on March 4, 2020, including specific changes that have been advocated by SBE Council:

- Increasing Offering Limits: Raises the current Regulation Crowdfunding cap (Title III Crowdfunding) from \$1.07 million to \$5 million.
- Testing the Waters: Allows Regulation Crowdfunding issuers to “test the waters” prior to filing an offering document with the Commission (similar to a Regulation A offering.)
- Demo Day Clarification: The proposal would provide that certain “demo day” communications are not deemed general solicitation or general advertising.
- The use of certain special purpose vehicles, which would facilitate investing in Regulation Crowdfunding issuers.

On May 4, the SEC also announced conditional relief for small businesses that allows existing firms to leverage Regulation Crowdfunding more effectively and with greater ease. According to the SEC:

*“The temporary rules are intended to expedite the offering process for smaller, previously established companies directly or indirectly affected by COVID-19 that are seeking to meet their funding needs through the offer and sale of securities pursuant to Regulation Crowdfunding.”*

*“The temporary rules provide flexibility for issuers that meet certain eligibility criteria to assess interest in a Regulation Crowdfunding offering prior to preparation of full offering materials, and then once launched, to close such an offering and have access to funds sooner than would be possible in the absence of the temporary relief. The temporary rules also provide an exemption from certain financial statement review requirements for issuers offering more than \$107,000 but not more than \$250,000 in securities in reliance on Regulation Crowdfunding within a 12-month period.”*

According to NextSeed, an SEC-registered online platform for small businesses (and SBE Council member), they are actively utilizing the SEC’s temporary relief in its current offerings. They strongly advocate for permanent adaptation of this relief, perhaps as part of a micro-offering exemption. According to NextSeed, Main Street businesses are actively looking for debt /loans (and not equity), which is the predominant capital structure that benefits cash-flow oriented businesses. Small businesses using this temporary relief have really appreciated the effort.

There has been no fraud under Regulated Crowdfunding, and regulatory improvements as proposed by the SEC will help more startups and small businesses access this method for raising capital where women and minority-owned businesses are experiencing solid success. As noted by Sherwood Neiss, founder of Crowdfund Capital Advisors and SBE Council member, noted in Venture Beat ([How Crowdfunding is Supporting Black Livelihoods and Communities](#), June 13, 2020):

*I check in regularly with the various Regulation Crowdfunding platforms on their progress, and this year, their numbers show proportionate representation of Black-led businesses....According to George Cook, Co-founder/CEO crowdfunding platform Honeycomb, 11% of all their campaigns have been run by Black founders. And another platform, Seedinvest, has seen 12% of campaigns run by Black founders, according to Aaron Kellner Director of Ventures.*

*Black founders are also seeing relatively good success rates with their fundraises. According to Ben Blieden, co-founder/CFO of MainVest, 60% of companies with at least one African American founder have had successful raises on its platform, compared to the platform's average of 63%. The success rate for black founders was 50% on Seedinvest, compared to a 69% average success rate on the platform overall.*

*Aaron Kellner at Seedinvest told me, "Minority founded/led companies raised on average of about \$415K [per company] through the Seedinvest network. This success rate is slightly higher than the platform average overall."*

As the SEC moves forward with regulatory improvements and Congress considers other capital access programs to benefit small businesses generally and women and minority-owned businesses specifically, committee members may want to explore the idea of a public-private partnership fund which would help fund these businesses through a "co-investment" – that is, when a small business reaches its target goal for raising funds, the federally-run fund can match that investment up to a certain amount.

Such a fund, where the federal government is paid back for its investment and can provide taxpayers with a tax credit to make an investment, has great potential for supporting women and minority-owned firms. The United Kingdom's co-investment model has worked very well, and this type of program may be one that Congress considers in its deliberations on how to meet the capital needs of local businesses.

SBE Council believes that reforming regulatory policies and incentivizing private capital investment are extremely important right now. Especially given the significant demand for federal support that is needed across the country resulting from COVID-19 and limited taxpayer dollars available to meet these needs.

The private sector and private businesses are beginning to step up in helping small businesses through direct grants and other financial support. The public understands even more the value and importance of small businesses in their communities. Getting private investors of all means involved in the financing of local businesses, particularly women and minority-owned businesses, has tremendous appeal and SBE Council looks forward to working with this

subcommittee and all members of Congress on advancing bipartisan solutions that will help meet this unprecedented need.

Thank you for inviting SBE Council to be a part of this hearing, and I look forward to our discussion.

**SBE Council**  
**200 Lawyers Road NW #1506**  
**Vienna, VA 22183**

**Protecting Small Business, Promoting Entrepreneurship**  
[www.sbecouncil.org](http://www.sbecouncil.org)

Name: Jenell R Ross

Subcommittee: Diversity and Inclusion

Title of Hearing: Access Denied: Challenges for Women and Minority Owned Businesses Accessing Capital and Financial Services

Date of Hearing: July 9, 2020

Good Afternoon, My name is Jenell R. Ross and I am the President of the Bob Ross Auto Group in Centerville, Ohio. I am the only second generation African-American Woman Automobile Dealer in the country and the only Mercedes-Benz and Buick-GMC Dealerships owned by an African American '*Woman*'.

My father Robert P. Ross Sr, was selected to be in the first class of the General Motors Minority Dealer Development Academy, in 1972. My father was the first in his class to purchase a dealership and when he died was the only one still in business.

My father became the first African-American Automobile Dealer in the state of Indiana, Ohio, Kentucky and West Virginia along with being the first African-American International Harvester Dealer in the US in 1974.

In 1979, my father purchased a Buick and Mercedes-Benz Dealership in Centerville, Ohio and he became the first African-American Mercedes-Benz Dealer in the world. In 1997, my mother Norma J. Ross assumed command of the dealerships after my dad's untimely death. At 27 years old I was thrust into running the day to day operations as VP/Dealer Principal. Imagine walking into an Automobile Dealership Meeting as the only/sometimes female and/or person of color in the room, that didn't work for the manufacturer or the travel company that set up the meeting. I became President of the Bob Ross Auto Group in

2010 as the result of my mother's passing. It's been 23 years this week that I have led our organization and I hate to say that the Diversification of the automobile dealer body is no better than when I started.

According to the National Association of Minority Automobile Dealers (NAMAD), at the end of 2019 there were a total of 1243 ethnic minority automobile dealerships in the United States out of 19,000. The breakdown is as follows African American 265, Hispanic 585, Asian 283, and Native American 110. Ethnic minority women represent 72 of the 1,076 women owned automobile dealerships Only 4 of those women are African American (Gail Martin, Juanita Baranco, Eillaena Fairhurst, and myself).

Since the initial launch of PPP and EIDL Programs, several financial institutions explained to many small businesses that they were excluded from gaining access to these financial opportunities because of the ***"Know Your Customer"*** rule, even if the business had a banking relationship without having a credit/lending history with them. NAMAD states, PPP left over 60% of the minority auto dealer body without bank approvals and/or were told to seek another financial institution to apply for funding in the first round.

Historically access to capital has been the leading concern for women and minority owned businesses to survive and during this pandemic it has been no different. Even though the Bob Ross Auto Group has a very strong relationship with our financial institution I too faced obstacles when applying for the PPP loan. After several days of waiting for proper information to submit our application I was instructed to go elsewhere. Fortunately I was able to approach another financial institution and in a

matter of 48 hours I was given approval. I unlike many women and minority owned businesses had the reserves and this safety net of financial relationships to fall back on.

Despite these preparations and adjustments of our business operations during the pandemic, we are continuing to invest thousands of dollars to ensure the safety of our employees, clients and facilities. I still feel a heightened sense of uncertainty, much like other women and minority owned businesses, of not knowing if we will be able to survive in the short term.

In the end the PPP program has allowed Small Businesses to keep our doors open, helped reduce the amount of employee layoffs, and business closures. The majority of all ethnic minority auto dealers are located in rural areas, who provide a significant amount of resources and financial support to local businesses, civic, and community base organizations. NAMAD's concern is once these funds run out, will these small businesses be forced to lay off employees once again who had to get rehired to participate in the PPP program.

As Women and Minority-Owned Companies continue to pivot their operations during the pandemic and navigate new normal it's imperative to utilize multiple resources to help drive their sustainability and growth. Being Certified thru WBENC and NMSDC allows business owners to develop relationships with corporations and businesses who value diversity and inclusion and are looking to partner with like-minded companies. We have been awarded many contracts for the State of Ohio Minority Set Aside bid regarding their vehicle needs. We continue to work with our regional partners to help grow our business

and yield success of winning bids to add revenue to our operation.

At the end of the day without access to capital, a financial relationship and education the wealth gap for Women and Minority owned businesses will continue to widen.



July 9, 2020

Statement for the Record by

Chiling Tong  
President and CEO  
Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship

to the

U. S. House of Representatives  
Committee on Financial Services  
Subcommittee on Diversity and Inclusion

*Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing  
Capital and Financial Services*

On behalf of the Asian/Pacific Islander American Chamber of Commerce and Entrepreneurship (National ACE), we applaud the Members of the Subcommittee on Diversity and Inclusion for this important and timely hearing to discuss the many challenges faced by women- and minority businesses during this pandemic.

We agree with the assessment of the Subcommittee on Diversity and Inclusion that women- and minority-owned businesses are facing more difficult economic disruptions than others as a result of the Covid-19 pandemic.

Prior to the Covid-19 pandemic, we found that the AAPI business community, and especially AAPI women, faced disproportionate challenges gaining access to capital and other resources. Minority-owned businesses were less likely to receive loans than non-minority owned businesses. In fact, non-minority-owned businesses were three times as likely to be approved for a loan than minority-owned businesses.

Minority-owned businesses also received lower loans compared to non-minority owned businesses. Of low-risk applicants, 40 percent of minority-owned businesses received the full amount sought compared to 68 percent on non-minority business owners. For medium to high risk applicants, only 21 percent of minority businesses received the full amount sought compared to 32 percent of non-minority businesses.

Additionally, when minority-owned businesses were able to secure loans, they paid higher interest rates than non-minority owned businesses - 7.8 percent on average for minority-owned businesses compared to 6.4 percent for non-minority-owned businesses.

We fear that these disparities will only grow worse as women- and minority-owned businesses struggle to survive amid this pandemic.

Since January 2020, we have seen a significant increase in the number of reports of AAPI individuals being threatened and harassed in public because of their ethnicity. In March, the FBI warned that hate crimes against AAPI communities would increase. The United States Commission on Civil Rights indicated in May 2020 that the pandemic was contributing to a growing anti-Asian sentiment. This kind of discrimination can lead to hate crimes, discrimination in education, housing, employment, and other areas. The New York City Commission on Human Rights received more than 300 harassment and discrimination complaints related to COVID-19 this year. Forty percent of these complaints involved anti-Asian sentiments.

We are just now beginning to see data on the impact Covid-19 has had on the AAPI business community. According to a recent report by the New York Times, we know that Asian-Americans are 1.3 times as likely as their white neighbors to become infected with Covid-19. We also know that at the end of March 2020, revenues for AAPI businesses were over 60 percent lower than they were in the prior year, and

the balances of Asian-owned businesses declined 22 percent in early April 2020, according to a report by JPMorgan Chase.

To combat these inequalities, National ACE supports the Minority Business Emergency Grants Act of 2020, which will provide \$3B in grants directly to minority business enterprises through the Minority Business Development Agency.

We also support the State Small Business Credit Initiative Renewal Act, which will provide \$10B to support \$100B in small business financing through state and territory programs. We support states continuing to provide plans of action through a formal report on how these federal funds will directly assist women- and minority-owned small businesses.

National ACE supports the prioritization of providing assistance to minority-owned businesses that were unable to obtain loans from the Small Business Administration's Paycheck Protection Program (PPP), or are located in low-income areas, or who do not have access to capital. We also support the United States Department of Treasury partnering with local states to make equity investments into new businesses, alongside private venture companies – with special consideration given to women- and minority-owned businesses.

Lastly, National ACE remains a strong supporter of placing the Minority Business Development Agency (MBDA) in statute. MBDA is the only Agency in the Federal Government dedicated exclusively to minority business enterprise.

According to the U.S. Census Bureau, by the year 2044, more than half of Americans will belong to a minority group. This major demographic shift will have a significant impact on the make-up of business ownership, and ensuring greater access to capital for women- and minority-owned businesses will become a greater concern to the health and sustainability of the U.S. economy in the years to come.

We thank the Committee for its attention to these important issues and look forward to working with you in implementing solutions to these pressing matters. We must do more to protect our most vulnerable and underserved communities during this crisis.



**Statement of AWBC CEO Corinne Hodges On House Financial Services  
Subcommittee on Diversity and Inclusion Virtual Hearing, *Challenges  
for Women- and Minority-Owned Businesses Accessing Capital and  
Financial Services During the Pandemic***

"The Association of Women's Business Centers applauds the House Committee on Financial Services for their attention to the public's concern regarding disparate opportunities for women- and minority-owned businesses during COVID-19 and, in response, hosting the upcoming hearing on *Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic*. We look forward to the illuminating and productive conversation that this hearing will generate.

Now more than ever, women's business centers (WBCs) across the nation continue to work diligently to help all women entrepreneurs survive the economic turndown caused by COVID-19 through mentorship, training, business development, and financing opportunities. Unfortunately, the existing match requirement for WBC grants has prevented many WBCs from reaching their full potential in aiding the small business community.

The required dollar for dollar match of ongoing WBC grants has not changed despite today's economic turmoil, and many WBCs are struggling to meet these match requirements. A match requirement waiver for FY20 and FY21 would alleviate the current risk of closing WBC doors and would allow these centers to continue their work aiding thousands of female entrepreneurs."

*About AWBC: The AWBC ([www.awbc.org](http://www.awbc.org)) is a non-profit 501(c)(3) organization founded in 1998 to support the national network of Women's Business Centers (WBCs) with programming and advocacy. Each year, our members leverage WBC grants to operate more than 150 locations throughout the United States. WBCs have more than 30 years of success in providing business training, counseling, mentoring, and access to capital to women entrepreneurs. The WBC program is a public-private partnership with the U.S. Small Business Administration.*

**clever girl finance**July 7<sup>th</sup>, 2020

Honorable Chairwoman, Joyce Beatty  
House Committee on Financial Services  
Subcommittee on Diversity and Inclusion

Chairwoman Beatty and Members of the Committee and Subcommittee, thank you for the opportunity to write a statement for the record on the challenges women and minorities face in accessing financial services and capital during the COVID19 pandemic to be presented before the Subcommittee on Diversity and Inclusion of the U.S. House committee on Financial Services on July 9<sup>th</sup>, 2020.

My name is Bola Sokunbi, I'm the Founder and CEO of Clever Girl Finance Inc. While I come from a Technology and Strategy background, previously working for Fortune 500 companies like Comcast and Time Warner Cable, my career path transitioned into financial wellness, specifically for women. This decision was based on my personal experiences trying to find financial resources to support my needs as a woman of color and finding that these resources for women like me were few and far between.

Today, Clever Girl Finance is one of the largest personal finance platforms for women in the United States with an audience base primarily made up of women of color.

As the COVID-19 Pandemic continues to rage on, the long standing systemic social and health inequities have put many minorities at increased risk of illness from this virus<sup>1</sup>. However, this is just one issue that this pandemic has brought to the forefront.

Unemployment rates are currently at 11.1% up from 3.8% prior to the pandemic with female unemployment higher on average<sup>2</sup>. Business closures are at record highs with a 41% decline in black business owners and a 32% decline in Latino business owners compared to a 17% decline in white business owners<sup>3</sup>.

Needless to say, while this pandemic has been hard hitting to everyone, people of color are bearing the brunt of it.

## clever girl finance

In efforts to financially survive this pandemic, many unemployed people are turning to starting a business as a way to generate income and many businesses are seeking capital to stay afloat. Unfortunately, the lack of starting capital and the inability of women and minorities to access business capital from financial institutions is a major roadblock in their efforts to survive this season.

This is particularly concerning given that women own 12.3 million businesses in the United States (making up 40% of all businesses), generate \$1.8 trillion in sales<sup>4</sup> and employ over 9 million people each year. Of the women owned businesses, 5.4 million are majority owned by women of color, employ 2.1 million people and generate \$361 billion in annual revenues.<sup>5</sup> In addition in 2019, women opened 1,821 business every day and of those new businesses, 64% were started by women of color.<sup>6</sup>

Prior to the Pandemic, it was well known that women especially women of color in addition to earning less on average than their white male counterparts, are less likely to get access to capital for their businesses. Women report facing both gender and racial biases when attempting to access capital, with bankers and investors asking questions more focused on their personal lives rather than about their businesses<sup>7</sup>.

I can personally attest to this during my experience attempting to raise capital for Clever Girl Finance in 2018 and 2019. Through 90+ meetings with investors I received comments by primarily white male investors representing Venture Capital firms about how my children could be a hinderance to my ability to build a successful business, and why I should not tell investors I had children or that I was married because it indicated too much baggage as a founder.

I was also asked why I felt women of color did not have equal opportunities in America and questioned as to if it was truly a real issue or a gimmick to raise capital and whether it was proven that women of color cared about financial wellness amongst many other sexist, gender biased and racially biased comments and questions. My efforts to raise capital at that time were unsuccessful.

My experiences, however, are not unique. Thousands of women in the Clever Girl Finance community have reported struggles with accessing capital to start, sustain or grow their businesses. Thousands more female and minority founders continue to

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share their stories and struggles of being shut out of opportunities to get investment for their companies.

In fact, women received only 2.2% of the \$85 billion of venture capital invested in 2017; and of this capital raised by women, Latina women received 0.32% and black women received 0.0006%<sup>8</sup>. In 2018, the stat remained much the same with women again raising only 2.2% of the \$130 billion of venture capital invested that year<sup>9</sup>.

With the pandemic severely impacting small businesses, the CARES Act funding for the emergency Paycheck Protection Program Loans has left many minority business owners shut out of the program despite millions of dollars in designated funds being set aside for minority and underserved borrowers. A report from the Center for Responsible Lending (CRL) dated April 6<sup>th</sup> 2020, found that roughly 95% of Black-owned businesses and 91% of Latino-owned businesses, *"stand close to no chance of receiving a PPP loan through a mainstream bank or credit union."*<sup>10</sup>

The main reasons for this shut out being that minority owned businesses are less likely to have banking relationships and/or they lack access to financial education on how to access these funds. And banks are reluctant to make loans available to those they don't have relationships with or to those who have poor or no credit history even when they are able to show showing historical revenues and business potential.

To help counter this, Clever Girl Finance is helping women and women owned businesses improve their finances, identify capital opportunities and improve their chances of getting access to capital by supporting women with completely free content and online courses on business planning including business financial planning and credit improvement amongst other resources<sup>11</sup>.

We recognize financial education and improving financial wellness is key to closing the racial wealth gap<sup>12</sup> and we are helping women, especially, women of color succeed with their personal finances and in starting and growing their businesses especially in these times of a pandemic where accessing capital is even more difficult and many women will have to find ways to generate capital on their own.

I strongly believe that government policy plays a critical role in improving the ability for women and minorities to gain access to much needed capital right now. We

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desperately need policies in place that create benefits and funding opportunities for women and minority entrepreneurs. We need policies in place that encourage banking and other financial and venture capital institutions to prioritize and match capital to women and minority owned businesses.

Having these policies in place can have a major impact by enabling access to capital, fostering inclusion, and creating more transparency on the financial issues related to women and minority entrepreneurs.

There is no better time than now to seize the opportunity to effect change by putting policies in place focused on making capital more accessible to this currently underserved group.

Thank you for this opportunity and I look forward to working with the committee in the future.



Sincerely,

Bola Sokunbi

Founder/CEO Clever Girl Finance

<sup>1</sup> <https://www.cdc.gov/coronavirus/2019-ncov/need-extra-precautions/racial-ethnic-minorities.html>

<sup>2</sup> <https://www.bls.gov/news.release/pdf/empst.pdf>

<sup>3</sup> <https://www.cbsnews.com/news/coronavirus-minority-small-business-owners-pandemic-closures/>

<sup>4</sup> <https://www.fundera.com/resources/women-owned-business-statistics>

<sup>5</sup> <https://www.nawbo.org/resources/women-business-owner-statistics>

<sup>6</sup> <https://www.fundera.com/resources/women-owned-business-statistics>

<sup>7</sup> <https://www.forbes.com/sites/brockblake/2019/10/14/women-business-capital/#69b052a1173e>

<sup>8</sup> <https://www.entrepreneur.com/article/324743>

<sup>9</sup> <https://www.forbes.com/sites/brockblake/2019/10/14/women-business-capital/#69b052a1173e>

<sup>10</sup> [https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-apr2020.pdf?mod=article\\_inline](https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-cares-act2-smallbusiness-apr2020.pdf?mod=article_inline)

<sup>11</sup> <https://clevergirlfinance.com/course-packages>: Offering free personal finance and business courses

<sup>12</sup> <https://www.clevergirlfinance.com/blog/racial-wealth-gap/>: How the racial wealth gap impacts women



Wednesday July 8, 2020

The Honorable Congresswoman Joyce Beatty  
United States House of Representatives  
Ohio 3rd Congressional District  
Chairwoman, Subcommittee on Diversity and Inclusion of the US House Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Beatty:

I note the **Virtual Hearing - Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic** to be held on July 9, 2020 at @ 12:00 noon.

I have been studying Women- and Minority-Owned Businesses and Black-owned banks for the past thirty years and am submitting this letter to provide research and to suggest a new approach to preserving these institutions. Please see the attached for additional data.

Sincerely,

William Michael Cunningham

## Statement for the Record

Subcommittee on Diversity and Inclusion of the US House Committee on Financial Services  
Virtual Hearing - Access Denied: Challenges for Women- and Minority-Owned Businesses  
Accessing Capital and Financial Services During the Pandemic  
July 9, 2020

# Black communities need more help from the Federal Reserve Board

William Michael Cunningham  
July 7, 2020

An estimated \$7 billion in corporate pledges have been made to facilitate efforts that support racial justice, and help activities that seek immediate solutions to the crisis affecting Black people.

### WEB WATCH

## Alternative investments

<http://www2.ari.net/cirm/>

**C**reative Investment Research offers an extensive listing of minority-owned banks, thrifts and brokerage firms for the Internet savvy investor. Whether you're just starting out or have been in the game for a while, Creative Investment can help you to choose the right minority-owned bank or firm.

The Web site, created in November 1995, provides a rundown of a number of African American-, Native American- and women-owned banks, thrifts and brokerage firms, along with addresses and phone numbers. It includes CD rates and ratios at selected banks, a downloadable minority bank study and newspaper and magazine articles on minority banks and brokers, along

with stories tracing the rise of minority-owned businesses.

You can also order a copy of the *Minority Bank Web Monitor*, which contains industry overviews, management information and financial ratings on every minority-owned U.S. bank. Orders for a specific group (Asian, Hispanic, African American, Native American or Women); prices range from \$10 to \$20. Or get the full list of 137 minority-owned U.S. banks for \$50.

The Creative Investment Research Web site is a gold mine for investors who use the Internet to bolster their fact-finding missions. Investing a little time here could mean big returns.

—Glenn Jeffers

A copy can be downloaded from ([www.fbi.com/utah/](http://www.fbi.com/utah/))

The *Conduit I-MIC* computer security site ([www.conduit.org/mic/syadmin/security.html](http://www.conduit.org/mic/syadmin/security.html)) has helpful information and links regarding network security.

NIST Computer Security Resource Clearinghouse (<http://csrc.nist.gov/>)

Network/Computer Security Technology Headlines (<http://nscat.com/web/security/headlines.html>)

### BOOKS:

*PC Work Intranet and Internet Firewall Strategies* by Ed Amoroso and Ronald Shary, Ziff-Davis Press; \$29.99

*LAN Times: Guide to Data Integrity and Security* by Annett Forster, Osborne-McGraw-Hill; \$29.95

*Computer Security Handbook* by A.P. Hett, John Wiley & Sons; \$125

*Internet Firewalls and Network Security* by Chris Hara and Karenjit Siyan, New Riders Publishing; 317-581-3500; \$35

—T.K.M.

We are very familiar with these types of promises, having launched the first website focusing on financial support for minority communities in 1995 and a new website to monitor such corporate pledges.

Figure 1 Creative Investment Research website, Black Enterprise Magazine, October, 1996.

Yet it appears that only \$188 million of that \$7 billion is money someone can reasonably expect to get their hands on. Further, in certain sections of the Black community, there is concern about the effectiveness of the traditional organizations identified as recipients of the pledges. And there appears to be less concern with newer, trending organizations.

Our recent survey of customers banking at black-owned banks suggests most consumers who do not use Black banks are concerned about their financial stability, and have not been able to leverage financial resources from these institutions.

Programs that rely on secondary institutions to provide capital to already underutilized Black-owned banks add another stumbling block to

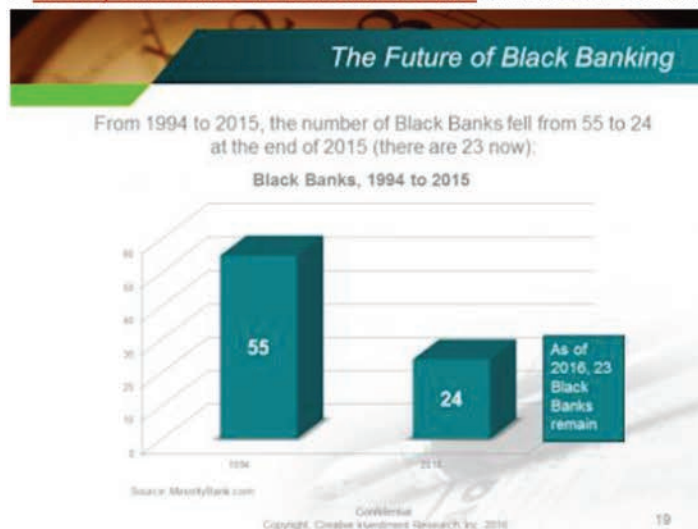


Figure 2 From Future of Black Banking, 2016.

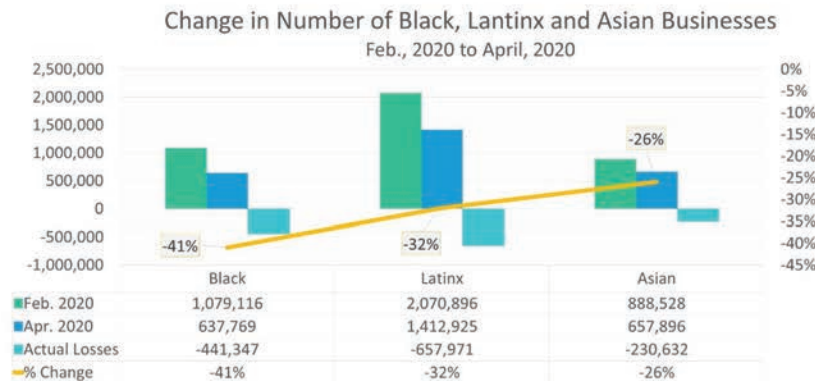
the effort to get capital where it is needed.

Certainly, more money will help. But there may be more effective methods such as creating a digital wallet and currency to get money directly to

affected communities without the need for money-sapping intermediaries; or creating a large credit program at the Federal Reserve. The latter approach holds the most promise.

Recall that the Federal Reserve Board created a secondary market corporate credit facility to purchase a more diversified portfolio of corporate bonds that include supporting large employers. Regrettably, very few Black-owned firms are eligible for this program, having been locked out of the corporate-debt market largely due to discrimination, both involuntary and self-imposed.

The Fed also created the Main Street Lending Program meant to encourage cash flows to small and midsize businesses by purchasing up to \$600 billion in loans. But already, the number of black-owned small businesses plummeted by 41% between February and April when the coronavirus pandemic started in the U.S., according to a working paper published by the National Bureau of Economic Research.



From: The Impact of Covid-19 on Small Business Owners: Evidence of Early-Stage Losses from the April 2020 Current Population Survey Robert W. Fairlie NBER Working Paper No. 27309 June 2020 JEL No. J15, J16, L26

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The financial loss to the Black-owned businesses is estimated at \$23 billion due to the pandemic. Therefore, the Fed should allocate \$23 billion of the \$600 billion in its Main Street program to Black-owned firms, using a wide array of financial instruments and techniques.

Lastly, Black people need a truly collaborative and cooperative effort — in and by the Black community — a community often trained to be cutthroat to each other given the paucity of resources at its disposal. After Creative Investment



Research, in the public spirit, disseminated an estimate of corporate pledges to the Black Lives Matter cause (at \$1.6 billion), several foundations made donations totaling \$1.7 billion.

Now is the time to let go of bad habits for the survival of the Black community. In so doing, we can also show the world the way out of the crisis.

Portions of this article first published at: The American Banker Newspaper: Black communities need more help from Fed. <https://www.americanbanker.com/opinion/black-communities-need-more-help-from-fed>



**Statement for the Record by Taj Ahmad Eldridge of Include Ventures**

**"Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic"**

**House of Representatives Financial Services: Subcommittee on Diversity and Inclusion  
July 9, 2020**

  
22 Roselyn Terrace  
San Francisco, CA 94118

  
(415) 758-1911

  
taj@vcinclude.com  
www.vcinclude.com

Chairwoman Joyce Beatty  
2129 Rayburn House Office Building  
Washington, DC 20515

Ranking Member Ann Wagner  
2129 Rayburn House Office Building  
Washington, DC 20515

Taj Ahmad Eldridge  
Partner, Include Ventures

Dear Chair Beatty and Ranking Member Wagner,

Thank you for your attention in this upcoming hearing on the plight of minority-owned businesses in America.

There is an aphorism that states, "A rising tide lifts all boats." But this quote and the current state of venture capital assumes that everyone has access to a boat. This, and assumptions like these, are what inhibit the elusive systemic changes we all hope to see.

You may have most recently heard of Bernard Garrett Sr. from the film "The Banker," starring Samuel L. Jackson. As a future banker growing up in Texas, I knew the story of Bernard Garrett—not from our school history books, but rather because his bank helped many families like my own in North Houston. When Bernard Garrett and Joe Morris purchased the Main Land Bank & Trust in 1963, it was the first bank to be purchased by a Black American in the United States. While Garrett initially built his wealth in Los Angeles in the real estate market, his dream of purchasing a bank in his home state of Texas helped him fulfill his goal to provide economic opportunities for Black Americans in the South. Garrett wanted to close the racial wealth gap that existed in the 1950s and 1960s. He couldn't have imagined that the racial wealth gap still exists and is widening three-quarters of a century later.

Similar to the issues facing people of color during Garrett's time, venture capital as an industry has largely failed to invest in Black and LatinX business founders. The numbers are abysmal. In 2018 alone, less than one percent of the \$248 billion of venture capital funding provided to start-up businesses was invested in Black and LatinX-owned start-ups.

To close the wealth gap, communities of color need access to capital to start and grow businesses. They need financial institutions, public pension funds, government agencies, and others to make investments in venture capital firms that understand the value of American diversity in innovation. This is why my partners and I launched Include Ventures—a firm that invests exclusively in other venture funds and startup businesses that are owned and operated by Black and Latinx founders.



## INCLUDE VENTURES



22 Roselyn Terrace  
San Francisco, CA 94118



(415) 758-1911



taj@vcinclude.com  
www.vcinclude.com

The COVID-19 pandemic has only exacerbated the need for equity investment in Black- and LatinX-owned businesses. Since COVID-19, over 400 thousand Black-owned businesses have been decimated, according to the University of California-Santa Cruz economist Richard Fairlie. "Latinx also experienced major losses with 32 percent of business owners disappearing between February and April 2020," Fairlie said. These figures are about minority-ownership and equity losses in a matter of 3 months.

I have seen first hand the effects that a lack of capital access can have on society from public health, education, and social opportunity. I grew up in Dallas, Texas where many young Black boys in the early 80s saw sports and entertainment as the only pathways toward wealth and the American dream. Following a similar path as Garrett instead, I moved to California to initially focus on using banking as a tool to help create wealth in minority communities. I spent a career as a founder, advisor, and investor as one of the few Black faces in the startup industry. During 2015 while the venture capital industry was heavily focused on San Francisco, I was hired as Director of a startup incubator funded by the University of California-Riverside and the County of Riverside via grants from the Small Business Administration and the Economic Development Administration. Under my leadership, the heavily Black and Latinx community of Riverside became fourth in the nation for minority startup founders, as noted by [Entrepreneur Magazine](#) in 2017. However, these experiences confirmed that even with the advice, education, and network provided to a minority business owner like me, access to capital is the final, often elusive, building block to create opportunities for business owners—in good times and bad.

While actions from the CARES Act provided help to many during this pandemic, more public and private capital solutions are needed to address pandemic challenges and to build opportunities for the future. Before my efforts with Include Ventures, the groundwork for helping minority-owned businesses was laid with our sister organization, VCInclude, a public benefit corporation founded in 2018 by CEO Bahiyah Robinson where I also serve as Advisor. VCInclude assists Black and Latinx venture fund managers with education and access to the same investors to which non-minority fund managers have historically had access. VCInclude and Include Ventures work in tandem to create, develop, and fund the ecosystem of emerging investment managers providing capital for minority business owners.

Both Include Ventures and VCInclude are committed to advocating for minority-owned innovators, even when the lights might no longer shine as brightly as they are right now on the racial and economic issues in our country. To do so, we need support from state-sponsored pension funds, large banks, and other investors to set aside their biases against diverse-owned businesses and invest in us as confirmation that they value the diversity and hard work of all Americans. We need Congress to review the Department of Labor and Employee Retirement Income Security Act (ERISA) laws and create policies that guide these investments in emerging fund managers.




22 Roselyn Terrace  
San Francisco, CA 94118



(415) 758-1911



taj@vcinclude.com  
www.vcinclude.com

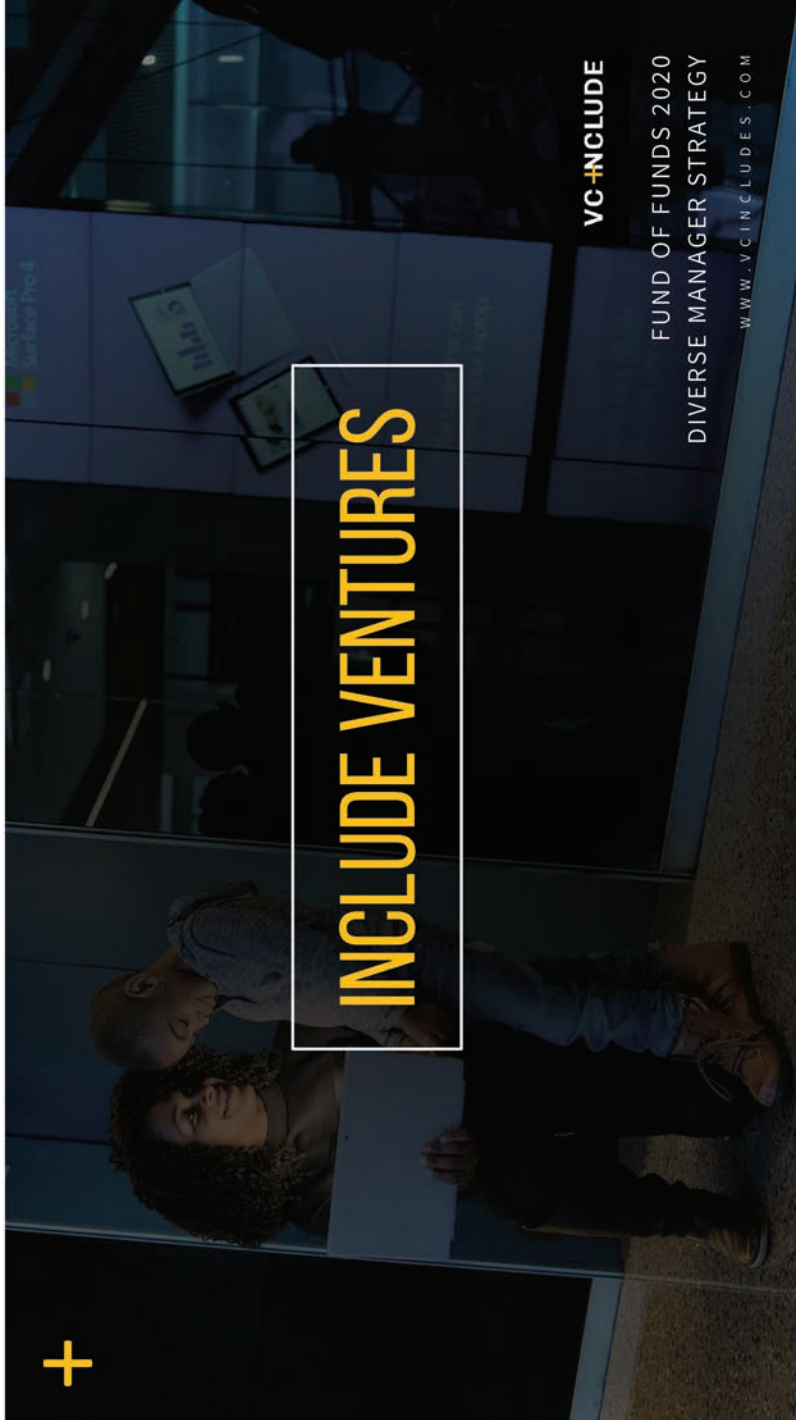
If pension funds, large banks, and other investment funds would shift just 10-15 percent of their investment strategies towards minority-owned investment funds like Include Ventures, a waterfall economic effect would occur; this shift would create much more than a trickle-down effect, due to the scalability and multiplier effect of venture capital. If we support organizations like Include Ventures who are committed to reducing the racial wealth gap, the GDP of our country can have an increase between 4-6 percent by the year 2028 as noted in a study from McKinsey & Company. Emerging manager programs for minority set-asides have been around for nearly 40 years but when there is no public policy to encourage and manage this, they are not effective. In economics, we speak about how companies are sub-optimizing by not utilizing all of its resources. As a country focused on capitalism, we are sub-optimizing the resources of Black and Latinx innovation that can provide our country a return on our investment in ourselves.

As an economist, I understand that reducing the wealth gap is not just a moral issue. It is a business imperative to ensure that as the tide rises, we can all truly rise with it.

Sincerely,



Taj Ahmad Eldridge, MBA, PhD  
Partner  
Include Ventures  
taj@vcinclude.com



# Current State of Asset Management

VC+INCLUDE

Asset Management Industry

Women and Minority Managers  
1.3%

\$70  
Trillion

99.0%

1% of Asset Managers are  
Black, LatinX, or Women.

Yet funds are managed by diverse-owned firms were overrepresented in the top-performing quartile of mutual funds, hedge funds, and private equity.

Venture capitalists are missing out on as much as \$4 trillion in value by not investing in more diverse founders.

\*McKinsey Report (2018)

# Black + LatinX PE/VC Investors

VC-**INCLUDE**



Investment Partner or equivalent  
No. of Individuals = 414



## Founders + Investment Partners

- 75% startup founders are White
- 43% are Black or African American
- 77% of all Seed and Series A rounds were raised by startups with 0 ethnically diverse founders



## Diverse Founding Teams

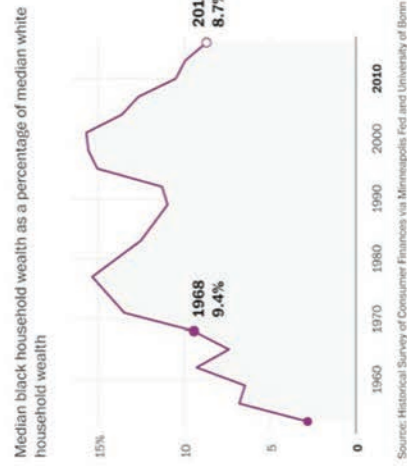
- 3.9x median realized multiple on IPOs and acquisitions, a 30% increase
- 2.5x realized multiple for White founding team

\*Source: Kauffman Foundation (2019)

# Closing the Wealth Gap

VC-INCLUDE

## Closing the Wealth Gap



Investments into science and technology focused Black + LatinX entrepreneurs will accelerate Black, Indigenous and People of Color (BIPOC) ownership and reduce the wealth gap.

The amount of personal wealth possessed by an entrepreneur affects their ability to access external sources of financial capital. The racial wealth gap has led to a disparity between White entrepreneurs and entrepreneurs of color.

\*Source: St. Louis School of Law Report (2016)

## VCI Fund of Funds Structure



### Target Fund Size

\$100MM Into Black + LatinX Fund  
Managers + Founders



### Investment Types

Fund Managers 50% +  
Company Investments 50%



### Investment Targets

\$2-5 Million target for fund  
investments



### Management Fees/ Carried Interest

1% and 5% carry for fund investments  
2% and 20% carry for direct investments



### Fundraising Targets

Strong pipeline of institutional  
investors > \$50MM



### Target Rate of Returns

Top quartile - P/E: Returns



## VCI Platform - Competitive Advantage



Funds in VCI Platform

30



VCI Funds Total

\$1B AUM



Fund Targets

\$20 - \$150MM



Fund Types

Fund I/II/III



Fund Manager Demographics

Black, LatinX,  
Women-Owned Funds




Asset Classes

Venture Capital, ESG,  
Private Equity



# VCI PROPRIETARY DEALFLOW - SOURCING





**VCI PLATFORM**  
Direct investments into fund managers + deal sourcing for co-investments

**100 FUND MANAGERS**

**500 FOUNDERS (LATE SEED - SERIES B)**

20 GP-LP EVENTS, 6 CITIES representing \$1T AUM



**VCI PARTNERS**  
National networks of institutional investors: Banks, Corporations, Foundations and Endowments

**15 Partners Globally**

**8 Sponsors**




**VCI PROGRAMS**  
Education Training for next generation emerging managers





## Differentiators

### Environment + Social Governance

Sustainability  
Jobs  
Underserved Communities

VC+INCLUDE

### Establishing + Tracking Impact Targets

Increasing Woman-Owned Funds and Founders  
Aligning with SDGs



Statement for the Record by Fund Humanity  
**"Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital  
 and Financial Services During the Pandemic"**  
 House of Representatives Financial Services: Subcommittee on Diversity and Inclusion  
 July 9, 2020

Chairwoman Joyce Beatty  
 2129 Rayburn House Office Building  
 Washington, DC 20515

Ranking Member Ann Wagner  
 2129 Rayburn House Office Building  
 Washington, DC 20515

Dear Chairwoman Beatty,

Fund Humanity is a nonprofit impact relief fund, lending support to those who have been excluded from the Small Business Administration (SBA) Paycheck Protection Program (PPP) due to their criminal history or their employee's prior convictions. Fund Humanity was founded for the sole purpose of being a stopgap measure for businesses in need during this unprecedented pandemic, yet the need for access to capital goes far beyond this moment in time. In order to properly serve this community struggling to access capital we created initial partnerships with the cities of Ferguson, MO, Little Rock, AR, and Philadelphia, PA. These three cities have communities plagued systematically by unfair practices of their justice systems which created large amounts of individuals who now have criminal histories that disqualify them from receiving the PPP and access to other forms of capital. In speaking with local organizations and leaders we found that our grants would only be a small part of the solution needed. Being denied access to capital and support from financial institutions for justice impacted businesses far exceed a health crisis rather they have been exacerbated. We seek to become a leading funding stream for this community as well as an instrument of resources upon individuals repaying their "debt" to society.

Currently 1/3rd of our population has criminal history, which means more than 70 million people have been affected. We are writing in regards to the many ways this population continues to be excluded from opportunities to have access to capital and resources to position them to become contributing members of society. For example the Coronavirus Aid, Relief, and Economic Security (CARES) ACT enacted to expand SBA business loans by creating the PPP, which offered forgivable loans to businesses impacted by the COVID-19 pandemic. The PPP Loan from the SBA is an essential resource for small businesses fighting to survive during this pandemic for all small business owners including ex-offenders who are also small business owners. SBA loans are generally loans provided by private lenders and guaranteed by the federal government. The \$2+ trillion stimulus package (the CARES Act) signed into law on March

<sup>1</sup> Collateral Consequence Resource Center (2020, October) Applying for an SBA loan with a criminal record <http://ccresourcecenter.org/2020/03/27/applying-for-an-sba-loan-with-a-criminal-record/>

<sup>2</sup> S. 3548, sec. 1102.7; 15 U.S.C. 636(a)

<sup>3</sup> SBA Standard Operating Procedure (SOP) 50.10.5(K)(B)(2)(III)(A)(13) (eff. April 1, 2019)

<sup>4</sup> CARES Act (H.R. 748), secs. 1102-1105; 15 U.S.C. 636(a).

<sup>5</sup> PayCheck Protection Program Application Form



27, 2020 included more than \$300 billion in funding for new SBA loans called “Small Business Interruption Loans,” some of which are eligible for forgiveness <sup>2,4</sup>.

Ex-Offenders are ineligible for small business loans included in the \$2 trillion (CARES) Act, despite the fact that ex-offenders struggle to find employment and often become small business owners who pay taxes. Fund Humanity’s co-founder, Vincent Bragg, is one of those ineligible for PPP and has also had his access denied to capital. Vincent is a Justice Impacted entrepreneur who has been extremely discouraged by the lack of opportunities afforded to him. In 2018, fellow Fund Humanity co-founders Janeya Griffin and Vincent Bragg alongside Joe Nickson started ConCreates, Inc. a creative agency powered by current and formerly incarcerated individuals. From the beginning they have been unable to receive any loans, investor capital and even more shockingly; Vincent has been unable to put his own personal money in financial institutions. For the population of people they represent, most turn to entrepreneurship due to all the barriers faced behind the stigma of having a criminal record, there are 40,000. With all these barriers to overcome during a global pandemic they were also unable to receive PPP relief. Vincent’s question has been, what does his past have to do with a global pandemic? In his words “If I am to ever completely reintegrate back into society, when will my sentence ever be completely served?”

Ex-offenders who are also small business owners have applied for the Paycheck Protection Program (PPP) loans from the U.S. Small Business Administration and were unfortunately not eligible. Under the PPP program, which was created as part of the CARES Act, Congress allocated \$350 billion to fund loans that allow small businesses to keep employees on payroll and cover basic expenses like rent during the economic fallout of the COVID-19 pandemic. Ex-offenders who are small business owners also need to keep employees on payroll as well as cover basic living expenses.

With this glaring oversight we saw an immediate need to support the justice impacted community; and created a grant-based program for applicants with criminal histories or businesses whose employees have been impacted by the justice system. During a global pandemic, no one should be left to fend for themselves. Currently, data does not exist to give us insight into how many people are actually affected. Our partnerships have helped us to survey this population and collect that data which will in turn help us quantify the impact we will be able to have. It is imperative that the SBA add this data point in the demographic information they collect, as it helps to inform the assistance this population so desperately needs.

It is unfortunate that SBA regulations exclude from eligibility, businesses with ex-offenders (i.e. an officer, director, and/or key employee who has been incarcerated as well as indicted for a felony). The application released by the SBA is discriminating and rejecting against ex-offenders

<sup>1</sup> Collateral Consequence Resource Center (2020, October) Applying for an SBA loan with a criminal record <http://ccresourcecenter.org/2020/03/27/applying-for-an-sba-loan-with-a-criminal-record/>

<sup>2</sup> S. 3548, sec. 1102.7; 15 U.S.C. 636(a)

<sup>3</sup> SBA Standard Operating Procedure (SOP) 50.10.5(K)(B)(2)(III)(A)(13) (eff. April 1, 2019)

<sup>4</sup> CARES Act (H.R. 748), secs. 1102-1105; 15 U.S.C. 636(a).

<sup>5</sup> PayCheck Protection Program Application Form



by asking the following questions of applicants that creates a bias on ex-offenders who are also small business owners that cause the loan application to be rejected:

- Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole?
- Within the last 5 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?<sup>5</sup>

Although there was a last minute rule change to the qualification of 5 years to 1 year for any felony and 5 years for any financial crime, the existence of the rule continues to facilitate discriminatory practices.

Tonesa Welch and Quan Huynh are two ex-offenders who before the final ruling changes were negatively impacted by these SBA regulations. Tonesa was raised in a traditional family with a good education. Due to choices she made, she found herself serving a 5-year sentence. Upon her release, she founded Sylent Heart, a non-profit that provides resources for children with incarcerated parents and other at-risk youth. Tonesa has since had to close her doors and relocate to Detroit where the cost of living is much cheaper than Los Angeles. Quan was released on parole in 2015 after serving 16 years in prison. Since his release, Huynh built an award-winning janitorial business, Jade Janitors. With county contracts, he was able to hire mostly formerly-incarcerated individuals. As a result of the crisis, he was forced to lay-off four of his seven employees, and had anticipated losing 70% of projected annual revenue.

The denial of an SBA loan affects ex-offender relief and access to support their business in difficult times such as the COVID-19 pandemic. It is a known fact that government financial assistance agencies and the private lenders that participate in government-sponsored lending programs routinely inquire into borrowers' criminal histories, and one federal court has held that criminal exposure bears a direct relationship to creditworthiness. Ex-offenders have not been deemed worthy of a loan due to criminal history and as a result creditworthiness of a loan from SBA during the COVID-19 pandemic would be rejected. The federal government should consider taking the lead in developing statutory and administrative solutions that promote small business ownership that includes initiatives to support Ex-offenders re-entering society as an entrepreneur/small business owner which would also be a benefit to our society by promoting economic growth. It is unfortunate that the SBA has released a new set of criminal history standards for the PPP which has published a new application form, effective April 3, 2020, with restrictive criminal history standards<sup>1-5</sup>.

<sup>1</sup> Collateral Consequence Resource Center (2020, October) Applying for an SBA loan with a criminal record <http://ccresourcecenter.org/2020/03/27/applying-for-an-sba-loan-with-a-criminal-record/>

<sup>2</sup> S. 3548, sec. 1102.7; 15 U.S.C. 636(a)

<sup>3</sup> SBA Standard Operating Procedure (SOP) 50.10.5(K)(B)(2)(III)(A)(13) (eff. April 1, 2019)

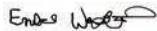
<sup>4</sup> CARES Act (H.R. 748), secs. 1102-1105; 15 U.S.C. 636(a).

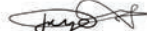
<sup>5</sup> PayCheck Protection Program Application Form





According to the Collateral Consequences Resources Center, SBA policies restrict ex-offenders who are small business owners to apply for SBA 7(a) loans. Current federal regulations provide that a business is ineligible for a 7(a) loan if the business has an "Associate" that has been indicted for a felony. In addition to the PPP, SBA regulations and policies with respect to 7(a) loans and criminal history require that person "must be of good character," as determined through a rigorous character evaluation process that includes close attention to an applicant's past criminal record <sup>1,5</sup>. Hence, it is apparent SBA policies intentionally are bias towards ex-offenders who are small business owners applying for PPP, 7(a) loans, etc.

In view of these grave concerns, Fund Humanity calls upon House of Representatives Financial Services: Subcommittee on Diversity and Inclusion to: (1) ensure tax-payer funded financial stimuluses are inclusive and represented of all tax paying citizens void of all implicit biases that exclude communities (2) allocate funding from the FIRST STEP ACT to create financial planning, management and investment funds upon release for formerly incarcerated, (3) work with funds, banks, and financial institutions to create justice impacted relief and investment funds. Paying your "debt" to society is not supposed to be a life sentence. The intellectual property and capital of formerly incarcerated should not be denied because of past "criminal" behaviors.

  
 Emile Washington  
 Executive Director  
 Fund Humanity

  
 Janeya Griffin  
 Co-Founder  
 Fund Humanity

  
 Vincent Bragg  
 Co-Founder,  
 Fund Humanity

  
 Taj Eldridge,  
 Board Member,  
 Fund Humanity

<sup>1</sup> Collateral Consequence Resource Center (2020, October) Applying for an SBA loan with a criminal record <http://ccresourcecenter.org/2020/03/27/applying-for-an-sba-loan-with-a-criminal-record/>

<sup>2</sup> S. 3548, sec. 1102.7; 15 U.S.C. 636(a)

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<sup>4</sup> CARES Act (H.R. 748), secs. 1102-1105; 15 U.S.C. 636(a).

<sup>5</sup> PayCheck Protection Program Application Form



National Bankers Association Statement for the Record  
The House Financial Services Subcommittee on Diversity and Inclusion's  
hearing entitled:

**"Access Denied: Challenges for Women- and Minority-Owned  
Businesses Accessing Capital and Financial Services During the  
Pandemic"**

July 8, 2020

Chairwoman Beatty, Ranking Member Wagner and members of the Subcommittee, thank you for the opportunity to submit a statement for the record on the Subcommittee's hearing "Access Denied: Challenges for Women- and Minority-Owned Businesses Accessing Capital and Financial Services During the Pandemic." The National Bankers Association (NBA) represents the country's Minority Depository Institutions (MDIs). Our institutions bank the communities that are the most vulnerable in ordinary economic circumstance but are even more exposed to the coronavirus epidemic – both physically and economically. Minority Depository Institutions take pride in providing financing for small businesses and nonprofits in LMI communities. Small business loans and micro-loans are the lifeblood of many small businesses in LMI areas. There is ample evidence that minority-owned small businesses have restricted financing choices. According to the findings of an article published in the Journal of Consumer Research, minority business owners are presented with more loan requirements and offered less help to fulfill them during their preapplication (loan inquiry) interactions with banks. These challenges could make them less likely to continue their financing application due to a negative perception of the process and its outcome.

Furthermore, an average of 70 percent of minorities do not have a bank branch in their neighborhood, coupled with 94% of AA small businesses being sole proprietors that are typically un/underbanked. Given the challenges faced by small businesses, especially minority-owned small businesses, it is imperative to assess which type of banks are best placed to provide access to capital for minority communities. National banks may not be fastest in reaching this constituency. Survey evidence has demonstrated that Black banks are prominent in predominantly Black communities and Hispanic banks are prominent in predominantly Hispanic communities. Given the absence of traditional banks in these communities, these MDIs provided crucial services for individuals and small businesses.

MDIs themselves have experienced a period of significant decline. Since 2009, nationally, the number of MDIs has dropped from 215 to 155 at the end of the second quarter of 2018. In addition, MDIs are far smaller than the average non-MDI bank. Compared to commercial banking institutions on average, they are very small; the largest institution has only \$38 billion in total assets. Black and Hispanic MDIs have average assets of \$245 million and \$2.7 billion, respectively, compared to an average of \$3.1 billion for all US banks. MDIs can be economic development engines due to their relative concentration in minority and low-income communities, and established relationships, especially African American. Unfortunately, MDIs' small scale does not allow them to move fast enough, especially in times like these. With African Americans overrepresented by the health and economic crisis, but potentially underrepresented by the relief efforts, a custom solution is required.

The NBA has recommended several potential solutions to the Congress and Administration including fully capitalizing and leveraging Treasury's CDFI Fund Program to provide direct Tier 1 capital support to banks that support LMI communities without triggering the Bank Holding Company's limitations and creating a federal facility that could create a \$300 billion increase in bank loans by Minority Depository Institutions and small banks under \$3 billion in assets to communities underserved by capital.

A critical component of the resilience of the banking sector and its ability to assist minority businesses is the amount of Tier 1 Capital it has. Without sufficient Tier 1 Capital, not only are banks limited in the amount of deposits they can take in, but it also hampers their ability to weather loan losses. In this unprecedented economic shock, many financial institutions, especially those in underserved communities, will have increased delinquent loans. Although federal government efforts to stand up new loan loss reserves are important, standing up a new federal program with significant red tape will create a bottleneck when speed is necessary.

While the National Bankers Association commends Congress on its leadership to date in responding to the COVID-19 pandemic, we firmly believe much work remains to be done in supporting the MDI sector as we respond to the credit needs of the communities and small businesses that our member institutions serve that will disproportionately shoulder the burden of any economic downturn attributable to the COVID-19 pandemic. The MDI sector, its communities and small businesses will disproportionately shoulder the burden of any economic downturn attributable to the COVID-19 pandemic.

We have an opportunity to avert an economic collapse if we all take the necessary steps now to provide diverse small businesses, nonprofits, and LMI communities the emergency relief they need. We need to ensure that we not only contain the spread of COVID-19 but also limit the potential economic carnage to LMI communities and communities of color that stand to be the hardest hit both by the pandemic itself as well as the economic consequences associated with our response to the pandemic. Providing relief to the nation's MDIs is vital if our efforts are to ensure that every community in the country can take part in our nation's post COVID-19 economic recovery. Congressional action in this space will be a determinate of the fate of this sector. The action items requested can impact this sector for a generation. We appreciate your attention to this issue and very much look forward to working with you on this specific and impactful policy change.



Kim Saunders  
President and Chief Executive Officer, National Bankers Association  
[ksaunders@nationalbankers.org](mailto:ksaunders@nationalbankers.org)



Kenneth Kelly  
Chairman, Board of Directors, National Bankers Association  
Chairman and Chief Executive Officer, First Independence Bank  
[kkelly@nationalbankers.org](mailto:kkelly@nationalbankers.org)



June 12, 2020

Mr. Patrick Woodie  
President  
North Carolina Rural Center  
4021 Carya Drive  
Raleigh, NC 27610

Dear Patrick:

We are writing in support of the reauthorization of the State Small Business Credit Initiative (SSBCI) established by the Small Business Jobs Act in 2010 and funded by the U.S. Department of the Treasury. As a community bank dedicated to a strong state economy, we know firsthand how working with the North Carolina Rural Center's SSBCI program has supported and strengthened a robust small-business ecosystem and helped create and retain thousands of jobs in our state.

Reauthorizing SSBCI and providing a significant infusion of capital would provide immediate access to financing for small businesses that desperately need it, especially as the economy continues to grapple with the coronavirus pandemic. Small businesses need affordable capital, and this need can be quickly and efficiently met through an allocation of funding to SSBCI.

Behind every SSBCI-supported small business loan is a unique and compelling story of real North Carolinians dedicated to their communities and their entrepreneurial visions. Most, if not all, of these loans would not have been made without the support provided by SSBCI.

As North Carolina's community bank partners, we are ready and committed to facilitating small business funding, innovation, and economic growth through the reauthorization of SSBCI. Please let us know if you need further information. Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mort Wadsworth', written over a horizontal line.

Mort Wadsworth  
Business Bank Regional Manager



Member FDIC

[BankWithUnited.com](http://BankWithUnited.com)



June 25, 2020

Patrick N. Woodie, President  
The North Carolina Rural Economic Development Center  
Raleigh, NC 27610

Re: Funding for the State Small Business Credit Initiative

Dear Mr. Woodie:

On behalf of Entegra Bank, a division of First-Citizens Bank & Trust, our staff, and the communities we serve, we would like to thank the North Carolina Rural Economic Development Center for your continued support of small businesses through your Loan Participation Program and Capital Access Program. It is our hope that the Federal Government will approve additional funding to further support economic development and small business growth under the State Small Business Credit Initiative (SSBCI).

As you are well aware, Entegra Bank has been a strong supporter of the NC Rural Center programs having funded over 80 loans in excess of \$50 million utilizing the SSBCI Loan Participation Program. Our joint efforts have helped small businesses grow and thrive while supporting hundreds of jobs. With each of these loans there is a unique and compelling story of real people and companies in rural North Carolina. This support has been made possible by NC Rural Center programs such as the Loan Participation Program, without which, we may not have extended credit to these borrowers due to insufficient down payments and/or weak collateral position due to elevated loan to values.

Again, thank you and the Rural Center for your partnership in helping us support the small businesses, their employees and communities in rural North Carolina. We very much appreciate your unwavering commitment to provide these programs and others like them in the future. We sincerely hope that and strongly encourage the Federal Government to continue its support by providing additional and immediate funding for the SSBCI program that will help facilitate future small business funding, innovation, and economic growth.

Sincerely,

A handwritten signature in blue ink that reads "Rick Kirkpatrick".

Rick Kirkpatrick  
Senior Vice President  
Commercial Credit Administrator

June 12, 2020

Mr. Patrick Woodie  
President  
North Carolina Rural Center  
4021 Carya Drive  
Raleigh, NC 27610

Dear Patrick:

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As North Carolina's community bank partners, we are ready and committed to facilitating small business funding, innovation, and economic growth through the reauthorization of SSBCI. Please let us know if you need further information. Thank you for your consideration.

Sincerely,

**Andrew V. Putnam** | Senior Vice President  
Regional Business Executive | First Citizens Bank  
FCB Mail Code: 061 | 4045 Mendenhall Oaks Parkway |  
High Point, NC 27265

336.883.3728 phone  
336.707.6829 mobile  
336.841.0974 home  
336.883.3761 fax



## FIRST BANK

June 15, 2020

Mr. Patrick Woodie  
President  
North Carolina Rural Center  
4021 Carya Drive  
Raleigh, NC 27610

Dear Patrick:

First Bank would like to express our support of the reauthorization of the State Small Business Credit Initiative (SSBCI) established by the Small Business Jobs Act in 2010 and funded by the U.S. Department of the Treasury. First Bank is headquartered in Southern Pines, North Carolina and serves the needs of small businesses from the western mountains to the east coast. We value our partnership with the North Carolina Rural Center and through their SSBCI program, First Bank has been able to provide financing to numerous small business clients across the state which help strengthen our state's economy as well as create and retain thousands of jobs in our state. The majority of these loans would not have been made without the support provided by SSBCI.

Reauthorizing SSBCI and providing a significant infusion of capital would provide immediate access to financing for small businesses that desperately need it, especially in the current economic environment with so many small businesses facing impact from the coronavirus pandemic. Small businesses need affordable capital, and this need can be quickly and efficiently met through an allocation of funding to SSBCI.

At First Bank, our mission is to help our customers realize their dreams and in so many cases, this is only made possible through the SSBCI program. Speaking on behalf of my fellow lenders as well as from personal experience, the SSBCI program is vital and a critical tool that all small business lenders depend on to support the growth of small businesses across our state.

As North Carolina's community bank partners, we are ready and committed to facilitating small business funding, innovation, and economic growth through the reauthorization of SSBCI. Please feel free to reach out at 828-232-2907 if we can provide additional information and thank you in advance for your consideration.

Sincerely,



Linda G. Deaton  
Senior Vice President



One North Shore, 12 Federal Street, Pittsburgh, PA 15212

June 15, 2020  
Mr. Patrick Woodie, President  
North Carolina Rural Center  
4021 Carya Drive, Raleigh, NC 27610

**RE: State Small Business Credit Initiative (SSBCI) Program**

Dear Mr. Woodie,

I am writing in support of the reauthorization of the State Small Business Credit Initiative (SSBCI) established by the Small Business Jobs Act in 2010 and funded by the U.S. Department of the Treasury.

First National Bank (FNB) is committed to assisting local businesses and communities across North Carolina and knows firsthand how working with the North Carolina Rural Center's SSBCI Loan Participation Program has supported and strengthened a robust small-business ecosystem and helped create and retain thousands of jobs throughout the state. FNB alone has successfully originated \$125 million in loans through the SSBCI, which without the program, would have been more difficult to originate due to increased risk exposure.

The SSBCI was created in 2010 in response to the significant adverse economic impact which small businesses were experiencing during the "Great Recession," and this same need for access to capital remains just as critical as these small businesses grapple with the economic consequences of the Coronavirus pandemic. The SSBCI is a dependable vehicle for providing access to affordable capital to small North Carolina businesses through a streamlined and efficient funding process and is especially critical during challenging economic environments.

Behind every SSBCI-supported small business loan is a unique and compelling story of real North Carolinians dedicated to their communities and their entrepreneurial visions. Most, if not all of these loans, would likely not have been made without the support provided by the SSBCI.

As the North Carolina Rural Center's local banking partner, FNB is fully supports its mission of facilitating small business funding, innovation and economic growth, which can only be done through the reauthorization of the SSBCI. Please let us know if you need any further information and thank you for your consideration.

Sincerely,

**George Searle**  
Charlotte Regional Business Banking Manager  
**First National Bank**  
5925 Carnegie Blvd, Suite 100  
Charlotte, NC 28209  
704 437 6608



June 10, 2020

Mr. Patrick Woodie  
President  
North Carolina Rural Center  
4021 Cary Drive  
Raleigh, NC 27610

Dear Patrick:

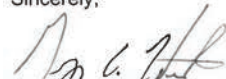
We are writing in support of the reauthorization of the State Small Business Credit Initiative (SSBCI) established by the Small Business Jobs Act in 2010 and funded by the U.S. Department of the Treasury. As a community bank dedicated to a strong state economy, we know firsthand how working with the North Carolina Rural Center's SSBCI program has supported and strengthened a robust small-business ecosystem and helped create and retain thousands of jobs in our state.

Reauthorizing SSBCI and providing a significant infusion of capital would provide immediate access to financing for small businesses that desperately need it, especially as the economy continues to grapple with the coronavirus pandemic. Small businesses need affordable capital and this need can be quickly and efficiently met through an allocation of funding to SSBCI.

Behind every SSBCI-supported small business loan is a unique and compelling story of real North Carolinians dedicated to their communities and their entrepreneurial visions. Most, if not all, of these loans would not have been made without the support provided by SSBCI.

As North Carolina's community bank partners, we are ready and committed to facilitating small business funding, innovation, and economic growth through the reauthorization of SSBCI. Please let us know if you need further information. Thank you for your consideration.

Sincerely,

  
Gregory L. Heaton  
President



June 12, 2020

Mr. Patrick Woodie, President  
North Carolina Rural Center  
4201 Carya Drive  
Raleigh, NC 27610

Dear Mr. Woodie,

The North Carolina State Small Business Credit Initiative (SSBCI) has been extremely helpful to assist KS Bank in providing funding for small businesses within our market area. Many of these loans would not have been an acceptable risk without the leveraging provided through SSBCI. The continued economic growth and additional employment created through these loans are vital to the stability of Eastern North Carolina.

We believe KS Bank has an above average record of supporting the small business community in our market area, and know that our efforts are enhanced when we can combine our efforts with programs supported by SSBCI. When speaking with our borrowers who have benefitted from this program, they are quick to point out that without this option, they would have likely been forced down a more expensive route of funding, or simply been unable to move forward with the project at all.

I am most hopeful that funding for your programs will be continued into the future. Many small businesses within our area need the programs that the combined efforts of community banking and SSBCI are able to offer.

My very best for your future.

Respectfully,

A handwritten signature in black ink, appearing to read "John A. Parker".

John A. Parker  
Chief Credit Officer/EVP

KS BANK, INC.

1031 N. Brightleaf Blvd.  
P.O. Box 661  
Smithfield, NC 27577